

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2009 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that interest on the Series 2009 Bonds is excluded from Missouri taxable income for purposes of the income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

\$9,920,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
City Justice Center Leasehold Revenue Refunding Bonds,
Series 2009 (City of St. Louis, Missouri, Lessee)

Dated: Date of Delivery

Due: February 15, as shown on the inside cover

The St. Louis Municipal Finance Corporation City Justice Center Leasehold Revenue Refunding Bonds, Series 2009 (City of St. Louis, Missouri, Lessee) (the "Series 2009 Bonds"), are being issued by the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation organized and existing under the laws of the State of Missouri (the "State"). The Series 2009 Bonds will be issued under and secured by a First Restatement and Fifth Supplement to Indenture of Trust dated as of October 1, 2009 (the "Indenture") by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee"). The proceeds of the Series 2009 Bonds will be used, together with other available moneys, (i) to refund the Corporation's outstanding City Justice Center Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, and (ii) to pay costs of issuance of the Series 2009 Bonds.

The Series 2009 Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Trustee pursuant to the Lease Agreement (as herein described) and certain other revenues and receipts derived by the Trustee pursuant to the Pledge Agreement (as herein described), and are secured on a parity basis with certain other outstanding obligations of the Corporation by a pledge and assignment of the Trust Estate (as defined in the Indenture) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director, or officer of the Corporation or The City of St. Louis, Missouri (the "City"), shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation thereunder. The Series 2009 Bonds and interest thereon shall not be a debt of the City or of the State and neither the City nor the State shall be liable thereon, and the Series 2009 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the City to make rental payments is subject to annual appropriation by the St. Louis Board of Aldermen. The Corporation has no taxing power. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS**" herein.

The Series 2009 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., or such other name (either, the "Nominee") as may be requested by an authorized representative of The Depository Trust Company ("DTC"), New York, New York, as registered owner and nominee for DTC. Purchases of the Series 2009 Bonds will be made in book-entry form in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2009 Bonds purchased. So long as the Nominee is the registered owner of the Series 2009 Bonds, references herein to the Bondholders or registered owners shall mean the Nominee, as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2009 Bonds. Principal on the Series 2009 Bonds will be payable as set forth on the inside front cover of this Official Statement. The Series 2009 Bonds will bear interest from their dated date, payable beginning February 15, 2010, and semiannually thereafter on February 15 and August 15 of each year. Payments of principal of, premium, if any, and interest on the Series 2009 Bonds will be made by the Trustee to the Nominee, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2009 Bonds.

The Series 2009 Bonds are not subject to mandatory or optional redemption prior to maturity, except extraordinary optional redemption as fully described herein.

This cover page contains information for reference only. It is not a complete summary of the Series 2009 Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

See the inside cover page for maturities, principal amounts, interest rates, and yields.

The Series 2009 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal, or modification of the offer without notice, and subject to the approval of the validity of the Series 2009 Bonds by Armstrong Teasdale LLP and White Coleman & Associates, LLC, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their counsel, King Hershey, PC. It is expected that the Series 2009 Bonds will be available for delivery to DTC, in New York, New York on or about October 13, 2009.

Siebert Brandford Shank & Co., LLC

The Northern Trust Company

Rice Financial Products Company

Wells Fargo Securities

The date of this Official Statement is September 1, 2009.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$9,920,000

ST. LOUIS MUNICIPAL FINANCE CORPORATION
City Justice Center Leasehold Revenue Refunding Bonds, Series 2009
(City of St. Louis, Missouri, Lessee)

<u>MATURITY</u> <u>FEBRUARY 15</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>	<u>CUSIP NUMBER*</u>
2010	\$1,425,000	3.00%	1.20%	79165T PD7
2011	3,030,000	1.80%	1.80%	79165T PE5
2012	3,045,000	2.40%	2.40%	79165T PF2
2012	2,420,000	4.00%	2.40%	79165T PG0

* Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the Corporation and the City do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

This Official Statement is provided in connection with the initial offering and sale of the Series 2009 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation or the City and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation, the City or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Corporation or the City since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2009 Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2009 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2009 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2009 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the Corporation's or the City's current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (i) those relating to the possible invalidity of the underlying assumptions and estimates, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (iii) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation and the City on the date hereof, and the Corporation and the City assume no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "CONTINUING DISCLOSURE."

**THE CITY OF ST. LOUIS
ELECTED OFFICIALS**

Francis G. Slay, Mayor
Darlene Green, Comptroller
Lewis E. Reed, President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

Charles Quincy Troupe - Ward 1	Matt Villa - Ward 11	Craig Schmid - Ward 20
Dionne Flowers - Ward 2	Fred Heitert - Ward 12	Antonio D. French - Ward 21
Freeman M. Bosley, Sr.-Ward 3	Alfred J. Wessels, Jr. - Ward 13	Jeffrey Boyd - Ward 22
Samuel L. Moore - Ward 4	Stephen Gregali - Ward 14	Joseph A. Vaccaro - Ward 23
April Ford-Griffin - Ward 5	Jennifer Florida - Ward 15	William Waterhouse,- Ward 24
Kacie Starr Triplett- Ward 6	Donna Baringer - Ward 16	Shane Cohn - Ward 25
Phyllis Young - Ward 7	Joseph D. Roddy -Ward 17	Frank Williamson - Ward 26
Stephen J. Conway - Ward 8	Terry Kennedy - Ward 18	Gregory J. Carter - Ward 27
Kenneth Ortmann - Ward 9	Marlene E. Davis - Ward 19	Lyda Krewson - Ward 28
Joseph Vollmer - Ward 10		

ST. LOUIS MUNICIPAL FINANCE CORPORATION

BOARD OF DIRECTORS

Ivy Neyland-Pinkston	President
Ronald H. Smith	Vice President
Tom Shepard	Vice President
Stephen J. Kovac	Secretary
Paul W. Payne	Treasurer

OTHER CITY OFFICIALS

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Patricia A. Hageman, City Counselor
Stephen J. Kovac, Deputy City Counselor

BOARD OF ESTIMATE AND APPORTIONMENT

Francis G. Slay, Mayor
Darlene Green, Comptroller
Lewis E. Reed, President of the Board of Aldermen

FINANCIAL ADVISOR

Public Financial Management, Inc.
Philadelphia, Pennsylvania

INVESTMENT ADVISOR

Columbia Capital Management LLC
Overland Park, Kansas

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OFFICIAL STATEMENT

**Relating to
\$9,920,000**

**St. Louis Municipal Finance Corporation
City Justice Center Leasehold Revenue Refunding Bonds, Series 2009
(City of St. Louis, Missouri, Lessee)**

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's City Justice Center Leasehold Revenue Refunding Bonds, Series 2009 (City of St. Louis, Missouri, Lessee) (the "Series 2009 Bonds") and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section "**DEFINITIONS OF WORDS AND TERMS**" set forth in Appendix C to this Official Statement.

The Issuer

The issuer of the Series 2009 Bonds is the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under Chapter 355 RSMo, the Missouri Nonprofit Corporation Act (the "Corporation"). See "**ST. LOUIS MUNICIPAL FINANCE CORPORATION**" herein.

Authorization for the Series 2009 Bonds

The Series 2009 Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "State"), Ordinance No. 67094, adopted by the Board of Aldermen and approved by the Mayor on May 30, 2006 (the "Ordinance"), and a resolution of the Board of Directors of the Corporation adopted on September 1, 2009 (the "Resolution"). The Series 2009 Bonds are issued under and secured by a First Restatement and Fifth Supplement to Indenture of Trust dated as of October 1, 2009 (the "Indenture") between the Corporation and UMB Bank, N.A., as trustee (the "Trustee"), which amends and restates certain previously executed documents, described as follows. The Corporation previously entered into an Indenture of Trust, dated as of August 1, 1996, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 1996, a Second Supplemental Indenture of Trust, dated as of February 1, 2000, a Third Supplemental Indenture of Trust, dated as of September 1, 2001 and a Fourth Supplemental Indenture of Trust, dated as of September 1, 2005.

Other Outstanding Bonds Under the Indenture

In addition to the Series 2009 Bonds, four series of bonds have been issued under the Indenture and are payable from the Rentals and Pledged Revenues on a parity with the Series 2009 Bonds. The additional parity bonds currently outstanding are the Corporation's City Justice Center

Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, dated as of August 15, 1996, issued in the original principal amount of \$34,335,000, which remain outstanding in the aggregate principal amount of \$10,835,000 (the “Refunded Bonds”); the Corporation’s City Justice Center Leasehold Revenue Improvement Bonds, Series 2000A, dated as of February 1, 2000, issued in the original principal amount of \$22,025,000 (the “Series 2000A Bonds”), which remain outstanding in the aggregate principal amount of \$1,015,000; the Corporation’s City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee), dated as of September 1, 2001, issued in the original principal amount of \$62,010,000 (the “Series 2001A Bonds”), which remain outstanding in the aggregate principal amount of \$58,195,000; and the Corporation’s City Justice Center Leasehold Revenue Refunding Bonds, Series 2005 (City of St. Louis, Missouri, Lessee), dated as of September 1, 2005, issued in the original principal amount of \$15,485,000 (the “Series 2005 Bonds”), which remain outstanding in the aggregate principal amount of \$14,995,000 (collectively, the “Outstanding Bonds”).

Upon the issuance of the Series 2009 Bonds, the Refunded Bonds will be considered legally defeased.

Purposes of the Series 2009 Bonds

The proceeds of the Series 2009 Bonds will be used, together with other available moneys, to refund the Refunded Bonds, and to pay costs of issuance of the Series 2009 Bonds. The proceeds of the Refunded Bonds were originally used to fund a portion of the cost of the acquisition, construction and equipping of the City Justice Center (defined herein) and to refund certain leasehold revenue improvement bonds of the Corporation.

Security and Sources of Payment for the Series 2009 Bonds

The Series 2009 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the St. Louis Jail Facilities (as defined herein) to the City pursuant to the Lease Agreement (as defined herein) and other revenues, moneys and receipts derived by the Trustee pursuant to a Pledge Agreement (as defined herein) by and between the City and the Trustee. For additional information on the security and sources of payment for the Series 2009 Bonds, see “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS**” herein.

Payment of the principal of and interest on the Series 2009 Bonds will be on a parity with the payment on the Series 2000A Bonds, the Series 2001A Bonds and the Series 2005 Bonds (collectively with the Series 2009 Bonds and any Additional Bonds issued under the Indenture, the “Bonds”). See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Other Outstanding Bonds Under the Indenture.**”

Definitions and Summaries of Certain Legal Documents

Summaries of the Indenture, the Base Lease, the Lease Agreement and the Pledge Agreement are set forth in Appendix D to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Base Lease, the Lease Agreement, the Tax Compliance Agreement, the Continuing Disclosure Agreement and the Pledge Agreement are qualified in their entirety by reference to such documents. Copies or the definitive form, as applicable, of such documents may be reviewed prior to delivery of the Series 2009 Bonds at the offices of the City’s Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2009 Bonds at the office of the Trustee,

UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

THE ST. LOUIS JAIL FACILITIES

Background

All City correctional facilities are under the supervision of the Corrections Division of the Department of Public Safety (the “Department”) and directed by institutional superintendents who are responsible for their operation. Presently, the City has two operational adult correctional facilities, the Medium Security Institution at 7600 Hall Street, approximately six miles from downtown (the “MSI”), and the five-story justice center located downtown across from City Hall (the “City Justice Center”). The MSI houses a maximum of 968 prisoners and has a correctional staff of 203. Completed in 1966, the MSI was originally built to house misdemeanor sentenced offenders serving one year or less or City ordinance violators serving 90 days or less. By 1976, the MSI began housing both pre-trial and sentenced prisoners as the result of efforts of the Department to relieve overcrowding at the City’s former municipal jail. In 1996, the City completed a 224-bed expansion of the MSI which, combined with recent reconfigurations of the existing housing units, has brought its total capacity to the current total of 968 beds.

Prior to construction of the City Justice Center, the U.S. District Court for the Eighth Circuit (the “District Court”) established ongoing rules for the City to ensure constitutional standards for pre-trial detainees held by the City. The District Court ordered a short-term plan setting a population cap that met the constitutional mandate of safe and sanitary conditions for confined prisoners and simultaneously provided safety for the citizens of the City. The City and the District Court recognized that the best and most viable long-term solution to the over-crowding at the then existing municipal jail was the construction of the City Justice Center and additional detention facilities, if needed.

Since its completion in July, 2002, the City Justice Center has been used as the City’s maximum security facility and has housed prisoners charged with “high risk” crimes and awaiting trial or transportation to a state facility or being held for criminal prosecution in other jurisdictions.

Description of the City Justice Center

The City Justice Center replaced the former municipal jail and has a total housing capacity of approximately 845 prisoners. Its completion represented a significant addition to the City’s correctional justice system, bringing total detention capacity to approximately 1900 prisoners, with current budgeted capacity of 1,600.

The City Justice Center is located east of City Hall, south of the former Federal Courthouse, and west of the newly constructed Federal Courthouse for the District Court. This site provides convenient access to both the existing circuit courts and police headquarters and accommodates a skywalk connection to the former Federal Courthouse now serving as a criminal courthouse for Missouri’s 22nd Judicial Circuit. The City Justice Center serves as a preliminary intake center to determine whether prisoners remanded into custody will stay at the City Justice Center or be transferred to the City’s MSI. Prisoners are booked and held over as necessary at the City Justice Center.

The City Justice Center consists of five floors. Prisoner housing is located on the third through fifth floors, with each floor containing a mezzanine level and consisting of prisoner pods of 64 beds each. The majority of the prisoner population resides in pods utilizing direct supervision management techniques with correctional officers located within each pod instead of in closed control booths. By implementing a direct supervision management philosophy, officers are able to simultaneously control prisoner behavior and minimize tension, thus helping to facilitate the staff's ability to provide proactive control. The fifth floor is designed for housing prisoners requiring special management and the pods thereon are designed to be subdivided into smaller units. Each floor of the City Justice Center has its own management charged with full administrative, security, programmatic and service delivery responsibilities. This management system is designed to enhance accountability and create a safer internal environment. All prisoner services are delivered to the housing floors in order to minimize prisoner movement. Food, laundry and commissary items are delivered directly to the housing pod. Recreation, as required by detention standards, is provided adjacent to the pod within outdoor/covered exercise areas. Preliminary medical examinations and social worker interviews are held in small multipurpose rooms attached to each pod. Larger multipurpose rooms are provided for religious and educational programs.

The City Justice Center is designed to meet standards established by the American Correctional Association. The facility is also designed to respond to the aesthetic needs of its prominent location and provides a civic presence appropriate to the institution of City government. Groundbreaking for the City Justice Center occurred during the summer of 1999. Construction of the Justice Center was completed without delay, on schedule and within budget.

Lease of St. Louis Jail Facilities

Pursuant to a Base Lease, dated as of August 1, 1996, as supplemented by that certain First Supplemental Base Lease, dated as of February 1, 2000, the Second Supplemental Base Lease, dated as of September 1, 2005 and Third Supplemental Base Lease dated as of October 1, 2009 between the City and the Corporation (collectively, the "Base Lease"), the City has granted to the Corporation a leasehold interest in the real property upon which the City Justice Center and the MSI are located and the improvements thereon, as well as the buildings, structures, improvements and equipment comprising the City Justice Center, and any additional jail facilities financed with the proceeds of Additional Bonds (the "St. Louis Jail Facilities"). Upon the payment of principal and interest on all of the Series 1996B Bonds in accordance with the Indenture, the City has the right, with the consent of Ambac Assurance Corporation, to terminate the Base Lease with respect to the portion of the St. Louis Jail Facilities constituting the MSI and the real property upon which the MSI is located. The City has no present intention to terminate such portion of the Base Lease, but will retain the right to do so in the future, subject to obtaining the consent of Ambac Assurance Corporation. Pursuant to a Lease Purchase Agreement, dated as of August 1, 1996, as amended and supplemented by that certain First Supplemental Lease Purchase Agreement, dated as of February 1, 2000, the Second Supplemental Lease Purchase Agreement, dated as of September 1, 2005 and the Third Supplemental Lease Purchase Agreement, dated as of October 1, 2009 (collectively, the "Lease Agreement"), between the City and the Corporation, the Corporation has leased the St. Louis Jail Facilities back to the City. See "**SUMMARY OF THE LEASE AGREEMENT**" set forth in Appendix D hereto.

The Third Supplemental Base Lease and the Third Supplemental Lease Purchase Agreement are entered into with prior consent of the credit provider for the Outstanding Bonds and Trustee, and upon written notice provided to the rating agency which provided a rating for the Outstanding Bonds, to amend the terms of the Base Lease and Lease Agreement respectively with respect to the release of the MSI property.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS

General

The Series 2009 Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the St. Louis Jail Facilities to the City pursuant to the Lease Agreement and other revenues, moneys and receipts derived by the Trustee pursuant to a Pledge Agreement, dated as of August 1, 1996, as amended by that certain First Supplemental Pledge Agreement, dated as of September 1, 2005 (collectively, the “Pledge Agreement”) by and between the City and the Trustee. The City has covenanted, subject to annual appropriation, to pay Rentals and Additional Rentals at such times and in such amounts as are necessary to assure no default in the payment of principal of, premium, if any, and interest on the Series 2009 Bonds. Revenues received by the Trustee pursuant to the Pledge Agreement are not subject to annual appropriation by the City. See “**SUMMARY OF THE LEASE AGREEMENT**” and “**SUMMARY OF THE PLEDGE AGREEMENT**” set forth in Appendix D hereto.

THE SERIES 2009 BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY OR THE STATE, AND NEITHER THE CITY NOR THE STATE SHALL BE LIABLE THEREON, AND THE SERIES 2009 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE CORPORATION, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

Pursuant to the Lease Agreement, the City has agreed, subject to annual appropriation, to make payments of Rentals and Additional Rentals to the Corporation which obligations of the City have been assigned by the Corporation to the Trustee for the benefit of the Bondholders. For so long as the Series 2009 Bonds are outstanding, the City is required to pay, subject to annual appropriation, to the Trustee, as assignee of the Corporation, Rentals corresponding to payments of principal of, premium, if any, and interest on the Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City covenants that it will pay, subject to annual appropriation, the Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, and interest on the Bonds will occur. If the balance in the Series 2009 Bond Fund Account, after deposits have been made pursuant to the Pledge Agreement, is less than amounts necessary to pay principal of, premium, if any, and interest on the Series 2009 Bonds, the City will pay, subject to annual appropriation, such deficiency as Rentals. Additional Rentals include, among other things, payments with respect to the Debt Service Reserve Fund, if required.

As additional security for its payment of the Bonds, including the Series 2009 Bonds, pursuant to the Pledge Agreement, the City has pledged to the Trustee certain payments of moneys constituting per diem reimbursements for costs of boarding State prisoners chargeable and billed to the State and credited and payable to the City (the “Pledged Revenues”). See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS- Pledged Revenues**” herein.

The City's obligation to make payments of Rentals and Additional Rentals for any Fiscal Year of the City for which the City has made appropriation, is absolute and unconditional, free of deductions and without abatement, offset, recoupment, diminution or setoff, and must be sufficient to fund debt service on the Bonds, fund the Debt Service Reserve Fund, if required, and to pay all other amounts required under the Lease Agreement and Indenture for such Fiscal Year. The City's obligations under the Lease Agreement are not subject to notice or demand, or abatement, offset, deduction, setoff, counterclaim, recoupment or defense of any right of termination or cancellation arising from any circumstance whatsoever, whether then existing or arising thereafter. Additionally, the City has agreed in the Lease Agreement that to the extent Rentals and Additional Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay the foregoing, the City will pay as Additional Rentals, subject to annual appropriation, upon demand therefor, such further sums of money as may be required from time to time for such purposes.

THE CITY'S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND THE CITY SHALL BE REQUIRED TO VACATE THE ST. LOUIS JAIL FACILITIES, WHICH ARE A PART OF THE SECURITY FOR THE SERIES 2009 BONDS.

Budget Process

Each Fiscal Year, the Board of Estimate and Apportionment of the City proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards. The Board of Estimate and Apportionment is made up of the Mayor, the Comptroller, and the President of the Board of Aldermen of the City.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous Fiscal Year, is approved by the Board of Estimate and Apportionment and submitted to the Board of Aldermen.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen at least 60 days prior to July 1, the first day of the City's Fiscal Year. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute or for the payment of principal of premium, if any and interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items unless specifically approved by the Board of Estimate and Apportionment. The budget is funded from various revenue sources, including real property taxes. For Fiscal Year 2008, real property taxes produced approximately 9.46% of the City's General Fund revenue. Under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See **"GENERAL REVENUE RECEIPTS -- The Hancock Amendment"** set forth in **APPENDIX A** hereto.

In the event the Board of Estimate and Apportionment does not timely submit its proposed budget or real property tax rates to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or real property tax rate by the beginning of any Fiscal Year, the proposed budget or real property tax rates recommended by the Board of Estimate and Apportionment, or, in the absence of such proposed budget or real property tax rates, the proposed budget submitted by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of and premium, if any, and interest on the Series 2009 Bonds on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated for any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

The City is committed to achieving a balanced budget for each Fiscal Year. In that context, representatives of the City have indicated that it has historically been the City's practice to appropriate funds for debt service on its outstanding obligations prior to making appropriations for other purposes.

The Rentals and Additional Rentals constitute current expenses of the City and do not constitute mandatory payment obligations of the City in any ensuing Fiscal Year beyond the Fiscal Year for which such payments have been appropriated. No provision of the Lease Agreement shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation.

The City covenants and agrees in the Lease Agreement that the City's Budget Director, or any other officers at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen, in any year during the Lease Agreement term, a request or requests for the Rentals and reasonable estimate of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Rentals to provide financing for the St. Louis Jail Facilities pursuant to the Lease Agreement will be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects, in each Fiscal Year of the City during the Lease Agreement term, to appropriate funds for the City to provide financing for the St. Louis Jail Facilities in an amount sufficient to pay the Rentals and reasonably estimated Additional Rentals.

Effect of Non-Appropriation

In the event that the Board of Aldermen does not budget and appropriate, on or before June 30 (or such future date the City shall adopt as the end of its Fiscal Year) of each year, specifically with respect to the Lease Agreement, moneys sufficient to pay all Rentals and the reasonably estimated Additional Rentals coming due for the next succeeding Fiscal Year, an Event of Non-Appropriation shall be deemed to have occurred.

Notwithstanding the preceding paragraph, no Event of Non-Appropriation shall be deemed to have occurred under the Lease Agreement if, during the Fiscal Year subsequent to the month in which an event described in the preceding paragraph occurs, Rentals and Additional Rentals are timely paid pursuant to the terms of the Lease Agreement, and further provided that on or before the last day of such Fiscal Year the Board of Aldermen shall budget and appropriate, specifically with respect to the Lease Agreement, moneys sufficient to pay all Rentals and Additional Rentals (or reasonable estimates thereof as to those Additional Rentals which have not been paid) coming due for such Fiscal Year. If an Event of Non-Appropriation occurs and is continuing, upon receipt of a certificate from a representative of the City which states that the City has not appropriated funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

IF AN EVENT OF NON-APPROPRIATION OCCURS, THE CITY SHALL NOT BE OBLIGATED TO MAKE PAYMENT OF THE RENTALS OR ADDITIONAL RENTALS PROVIDED FOR IN THE LEASE PURCHASE AGREEMENT WHICH ACCRUE BEYOND THE LAST DAY OF THE FISCAL YEAR FOR WHICH RENTALS AND ADDITIONAL RENTALS WERE APPROPRIATED, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS WHICH ARE PAYABLE PRIOR TO THE TERMINATION OF THE LEASE AGREEMENT.

Pledged Revenues

Pursuant to Section 221.105 of the Missouri Revised Statutes (2000, as amended), (the "Reimbursement Statute"), the City is entitled to receive from time to time certain payments of moneys from the State for partial per diem costs paid by the City for boarding State prisoners (the "Pledged Revenues"). The Pledged Revenues are chargeable and billed to the State and credited and payable to the City. Pursuant to the Pledge Agreement, the City has pledged the Pledged Revenues to the Trustee as additional security for all bonds issued under the Indenture, including the Series 2009 Bonds. Pledged Revenues are not subject to annual appropriation by the City.

The Reimbursement Statute, which went into effect in 1976, authorizes the State, subject to annual appropriation, to reimburse counties that have boarded State prisoners in their jails or medium security prisons. (For purposes of such reimbursement, the City is treated as a county.) The City boards State prisoners and, accordingly, has received reimbursements under the Reimbursement Statute since its enactment.

The City becomes eligible for payments from the State for State prisoners and prisoners who are held pre-trial on State charges, once they either plead guilty to or are found guilty on State charges. Such prisoners fill approximately 98% of all jail facilities presently in use by the City. The City is also eligible for payments from the State in certain felony cases in which the defendant is acquitted. The City does not, however, receive payments for those prisoners who receive a suspended sentence and are placed on probation, unless and until probation is revoked and the defendant is sentenced to the State penitentiary.

Reasonable projections of future annual City receipts under the Reimbursement Statute can be made by establishing a reimbursement rate, utilizing a weighted average per diem reimbursement rate, average detention population, and the average percentage of the population for which reimbursement is actually received, which is approximately 70% at the present time. In 1996, the State legislature raised the authorized maximum per diem reimbursement rate from \$20 to \$37.50, effective July 1, 1997. The Reimbursement Statute authorizes a maximum reimbursement rate of \$37.50 per diem, which is subject to annual appropriation; however, historically, the State legislature has appropriated funds at less than the maximum authorized rate. The Reimbursement Statute requires the per diem rate to be not less than the amount appropriated in the prior Fiscal Year; however, in the event of State revenue shortfalls, the Governor of the State has the constitutional power to reduce or withhold payments.

Due to the timing of prisoner detention, sentencing, and the City's and State's billing processes, the City may receive the reimbursement payments in fiscal periods following those in which the City made expenditures eligible for reimbursement. Prisoner per diem reimbursement rates have fluctuated in recent years based on the State appropriation, increasing to \$22.50 in Fiscal Year 1999, falling back to a rate of \$20.00 in July 2002 and then increasing in Fiscal Year 2007 to the current rate of \$21.25 beginning July 1, 2007. There is no guarantee of the maintenance of the current reimbursement rate or future rate increases. The City's adult detention capacity is 1,900 beds. The current occupancy rate is 72% and the rate of prisoners eligible for reimbursement is approximately 70%.

The following table represents historic and projected Fiscal Year per diem reimbursements, as well as the authorized and appropriated per diem rates:

<u>Fiscal Year</u>	<u>Prisoner Reimbursements Pledged Revenue</u>	<u>Appropriated</u>	<u>Authorized Maximum</u>
1994	\$2,442,218	\$14.00	\$17.00
1995	1,788,515	14.75 (thru 12/31/94) 17.00 (beg. 1/1/95)	17.00
1996	4,036,846	17.00	17.00
1997	4,877,154	20.00	20.00
1998	5,491,505	22.00	37.50
1999	4,840,965	22.50	37.50
2000	4,832,185	22.50	37.50
2001	5,483,795	22.50	37.50
2002	5,496,168	22.50	37.50
2003	4,484,887	20.00	37.50
2004	5,593,935	20.00	37.50
2005	5,756,115	20.00	37.50
2006	6,724,693	20.00	37.50
2007	7,857,303	20.00	37.50
2008	6,271,953	21.25	37.50
2009 (unaudited)	6,535,060	21.25	37.50
2010 (budgeted)	6,330,000	21.25	37.50

Debt Service Reserve Fund

As additional security for the Series 2000A Bonds, the Series 2001A Bonds and the Series 2005 Bonds (collectively with the Series 2009 Bonds and any Additional Bonds issued under the Indenture, the “Bonds”), the Indenture ratifies the Debt Service Reserve Fund previously established. Upon issuance of the Series 2009 Bonds and defeasance of the Series 1996B Bonds, the total amount of the Bonds Outstanding will be \$84,125,000, and the Debt Service Reserve Fund requirement attributable thereto will be \$11,198,156.16. The Debt Service Reserve Fund was funded from the proceeds of the Series 2000A Bonds and from other funds of the City.

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund will be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund, including the Pledged Revenue Account, are insufficient to pay the principal of and interest on all outstanding Bonds, including the Series 2009 Bonds, when due. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Series 2009 Bonds called for redemption or to purchase Series 2009 Bonds in the open market, prior to their Stated Maturity, provided all Outstanding Bonds under the Indenture, including the Series 2009 Bonds, are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund will be used to pay and retire the Bonds last becoming due unless such Bonds and all interest thereon are otherwise paid. The Trustee is required to value to market, exclusive of accrued interest, on a quarterly basis, Permitted Investments on deposit in the Debt Service Reserve Fund. In the event that on any such date of valuation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount less than the Debt Service Reserve Requirement by reason of such valuation, the City is required to make up any deficiency as Additional Rentals no later than the next quarterly valuation date.

So long as the sum on deposit in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to the Debt Service Reserve Fund are required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, in accordance with the Lease Agreement, make up such deficiency by making monthly payments of Additional Rent, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

Funds Created

The Indenture provides for the creation and/or ratification of the certain special trust funds and accounts including those designated as follows:

- (a) Bond Fund, including two separate and distinct accounts designated the “Series 2009 Bond Account” and the “Pledged Revenue Account”; and
- (b) Debt Service Reserve Fund; and
- (c) Costs of Issuance Fund, including a separate and distinct account designated the “Series 2009 Costs of Issuance Account.”

The moneys in the above funds and accounts, and all other funds and accounts established under the Indenture, shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease Agreement. See “SUMMARY OF THE INDENTURE” set forth in Appendix D hereto.

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2009 Bonds and any other Outstanding Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the costs of completing the Project, such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative, with the prior written consent of the Credit Provider; or

(b) providing funds for refunding all or any part of the Bonds then Outstanding of any series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

THE SERIES 2009 BONDS

General

The Series 2009 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co. or other such name (either, the “Nominee”), as may be requested by an authorized representative of The Depository Trust Company (“DTC”), New York, New York, as registered owner and nominee for DTC. No Beneficial Owner (as defined herein) will receive certificates representing its interest in the Series 2009 Bonds, except in the event the Corporation issues replacement bonds. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC and the Participants (as defined herein).

The Series 2009 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated their date of delivery, and will bear interest on a current basis from that date, payable beginning February 15, 2010, and semi-annually thereafter on each February 15 and August 15, at such rates and will mature on February 15 in such years, set forth on the inside cover page hereof.

The Series 2009 Bonds are not subject to mandatory redemption. The Series 2009 Bonds are not subject to optional redemption prior to maturity, except as described below under “Extraordinary Optional Redemption”.

Interest on the Series 2009 Bonds will be payable by check or draft mailed to each registered owner in whose name any Series 2009 Bond is registered as of the close of business on the first day of the calendar month in which the interest is to be paid (the “Record Date”). Upon the written request delivered to the Paying Agent at least five days prior to a Record Date by any Holder, as of the Record Date, of at least \$1,000,000 principal amount of Bonds, payment of the principal of and

interest on such Bonds payable subsequent to the Record Date on or after which such notice is received will be made by wire transfer to an account designated by such Holder, such written notice to include the name and ABA routing number of the bank to which such transfer is to be made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser of the Bonds to accept delivery of and pay for any Bonds.

Extraordinary Optional Redemption

The Series 2009 Bonds are subject to extraordinary optional redemption and payment prior to their respective Stated Maturities by the Corporation, in whole or in part at any time, at the written direction of the City, given to the Corporation and the Trustee not less than forty-five (45) days nor more than sixty (60) days prior to the Redemption Date, at a redemption price equal to one hundred percent (100%) of the principal amount of the Series 2009 Bonds to be redeemed, plus accrued interest, if any, on such Series 2009 Bonds to the Redemption Date, in the event that the City exercises its option to prepay all or a portion of the amounts payable pursuant to the Series 2009 bonds pursuant to casualty, condemnation, changes in law or certain other events as further described below from amounts available under the Indenture.

The Bonds redeemed in connection with the occurrence of any of the conditions or events described below shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date.

Redemption in Event of Condemnation, Deficiency of Title, Fire, or Other Casualty, or Change in Law or Circumstances

The Series 2009 Bonds shall be subject to extraordinary optional redemption and payment prior to their Stated Maturities by the Corporation, upon instructions from the City on any date upon the occurrence of any of the following conditions or events, provided the Bonds so redeemed are redeemed and paid according to their terms:

- (1) if title to, or the use of, substantially all of the St. Louis Jail Facilities is condemned by any authority having the power of eminent domain;
- (2) if the Corporation's interest in substantially all of the St. Louis Jail Facilities is found to be deficient or nonexistent to the extent that the St. Louis Jail Facilities are untenable or the efficient utilization of the St. Louis Jail Facilities by the City is impaired;
- (3) if substantially all of the St. Louis Jail Facilities are damaged or destroyed by fire or other casualty; or
- (4) if as a result of changes in the Constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens, or excessive liabilities are imposed on the City or the Corporation.

Selection of Series 2009 Bonds to be Redeemed

When less than all of the Outstanding Series 2009 Bonds are to be redeemed and paid prior to maturity, such Series 2009 Bonds shall be selected by the Corporation, upon the direction of the City, from the Outstanding Series 2009 Bonds by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Series 2009 Bonds of a denomination larger than \$5,000. The portions of the principal of Outstanding Series 2009 Bonds so selected for partial redemption shall be equal to \$5,000 or integral multiples thereof.

Notice and Effect of Call for Redemption

Notice of any redemption of Series 2009 Bonds shall be given by the Trustee, by mailing a copy of the redemption notice by first class mail, postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the Redemption Date to each Holder of Series 2009 Bonds to be redeemed at the address appearing on the Bond Register. All notices of redemption shall include (a) the Redemption Date; (b) the redemption price; (c) the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2009 Bonds to be redeemed; (d) a statement that on the Redemption Date the redemption price will become due and payable upon such Series 2009 Bonds, and that interest thereon shall cease to accrue from and after said date; (e) the place where such Series 2009 Bonds are to be surrendered for payment of the redemption price which shall be the principal corporate trust office of the Trustee as Paying Agent or such other office as the Trustee may designate; and (f) the name and telephone number of a representative of the Trustee who may be contacted for additional information.

Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Series 2009 Bonds (unless such notice shall state that the foregoing deposits shall be made only to the extent there are funds available therefor), there shall be deposited with the Trustee funds sufficient or United States Government Obligations, maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Series 2009 Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or part of the Series 2009 Bonds to be redeemed. Any extraordinary optional redemption shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as described above, the Series 2009 Bonds or the portions of the principal amount of Series 2009 Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or United States Governmental Obligation sufficient for the payment of principal of, redemption premium, if any, and accrued interest are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Registration, Transfer and Exchange

The registration of the transfer of any Series 2009 Bond may be made only upon surrender of the Series 2009 Bonds to the Trustee duly endorsed for transfer or accompanied by a written instrument duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Series 2009 Bonds may be exchanged for other Series 2009 Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, and

Stated Maturity, and bearing interest at the same rate, subject to the terms, conditions and limitations of the Indenture and upon payment of any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer.

Neither the Corporation nor the Trustee shall be required (i) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days preceding the date of mailing a notice of redemption for Bonds selected for redemption and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Immobilization of the Bonds by the Depository

The Series 2009 Bonds are being issued in book-entry only form with a single global bond certificate for each maturity of the Series 2009 Bonds to be delivered by the Corporation to the initial purchasers for deposit with DTC. The Series 2009 Bonds shall be registered on the Bond Register in the name of the Nominee. For so long as the Nominee is the registered owner of the Series 2009 Bonds, all such payments will be made to DTC. See “Book-Entry Only System” herein.

Global Bond Certificates evidencing the Bonds may not thereafter be transferred or exchanged except:

- (a) to any successor of DTC, to any successor of the Nominee, or to any substitute depository designated by the Corporation and acceptable to the City, provided that such substitute depository or successor (either, the “Substitute Depository”) must be both a “clearing corporation” as defined in Section 8-102 of the Uniform Commercial Code of the State of Missouri and a qualified and registered “clearing agency” as provided in Section 17A of the Securities Exchange Act of 1934, as amended, upon (i) the determination by DTC that the Bonds shall no longer be eligible for depository services, or (ii) a determination by the Corporation that DTC is no longer able to carry out its functions.
- (b) To those persons to whom transfer is requested in written transfer instructions in the event that (i) DTC shall resign or discontinue its services for the Bonds and the Corporation is unable to locate a qualified Substitute Depository within two months following such resignation or determination of non-eligibility, (ii) the Corporation determines that DTC is incapable of discharging its duties and the Corporation is unable to locate a qualified Substitute Depository within two months following such determination, or (iii) upon a determination by the Corporation that the continuation of the book-entry system described herein, which precludes the issuance of certificates to any Holder other than DTC or the Nominee, is no longer in the best interest of the beneficial owners of the Bonds, then the Corporation shall notify the beneficial owners of such resignation or determination and of the availability of Replacement Bonds to beneficial owners of the Bonds requesting the same and the registration, transfer, and exchange of such Bonds shall be conducted as provided in the Indenture.

Book-Entry Only System

Upon initial issuance, ownership interests in the Series 2009 Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by DTC, New York, New York, which will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of the Nominee. Initially, one fully-registered certificate will be issued for each Maturity of the Series 2009 Bonds, in the aggregate principal amount of each Maturity of the Series 2009 Bonds, and will be deposited with DTC. See **APPENDIX E** of this Official Statement for a description of DTC and its Book-Entry-Only System. The information in **APPENDIX E** will not apply to any Series 2009 Bonds issued in certificate form due to the discontinuance of the Book-Entry System.

PLAN OF REFUNDING

The Series 2009 Bonds are being issued to refund the Refunded Bonds. The Series 2009 Bond proceeds, together with other available moneys, will be deposited into the Series 1996 Bond Account to pay the costs of refunding the Refunded Bonds, and used to pay costs of issuance of the Series 2009 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds

Par Amount of Series 2009 Bond	\$9,920,000.00
Original Issue Premium	96,104.25
Transfer from Bond Fund	<u>1,187,560.40</u>
TOTAL SOURCES OF FUNDS	\$11,203,664.65

Uses of Funds:

Deposit to Series 1996 Bond Account	\$10,929,264.50
Costs of Issuance ⁽¹⁾	<u>274,400.15</u>
TOTAL USES OF FUNDS	\$11,203,664.65

⁽¹⁾Includes rating agency fees, initial fees of the Trustee, printing costs, financial advisor fees, legal fees, Underwriter's discount and certain other costs of issuance. See the caption “UNDERWRITING” herein.

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DEBT SERVICE REQUIREMENTS FOR THE SERIES 2009 BONDS

The following table shows the remaining annual debt service of the Corporation for its Outstanding Bonds issued under the Indenture, annual debt service for the Series 2009 Bonds and total debt service for the fiscal years set forth below:

Fiscal Year Ending June 30	Series 2000A Debt Service	Series 2001A Debt Service	Series 2005 Debt Service	Series 2009 Debt Service⁽¹⁾	Total Debt Service⁽²⁾
2010	\$1,068,795	\$6,006,144	\$796,798	\$1,515,541	\$9,387,277
2011		6,006,944	1,862,275	3,254,420	11,123,639
2012		7,053,519	1,860,100	5,634,880	14,548,499
2013		9,023,094	1,862,850		10,885,944
2014		9,022,806	1,862,350		10,885,156
2015		9,023,438	1,863,600		10,887,038
2016		9,023,088	1,861,350		10,884,438
2017		9,022,525	1,865,600		10,888,125
2018		9,021,350	1,861,800		10,883,150
2019		2,246,888	1,865,600		4,112,488
2020			1,861,600		1,861,600
TOTALS⁽¹⁾	\$1,068,795	\$75,449,794	\$19,423,923	\$10,404,841	\$106,347,352

⁽¹⁾The table does not include debt service for the Refunded Bonds.

⁽²⁾Totals may not add due to rounding.

BONDHOLDERS' RISKS

The Series 2009 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2009 Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2009 Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

General

The Series 2009 Bonds are special obligations of the Corporation, payable solely out of the Rentals and Additional Rentals derived by the Corporation from leasing of the St. Louis Jail Facilities to the City pursuant to the Lease Agreement and other revenues, moneys and receipts derived by the Trustee pursuant to the Pledge Agreement. The Corporation has no taxing power, the Series 2009 Bonds and the interest thereon are not a debt of the City or the State and neither the City nor the State is liable thereon, and the Series 2009 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Event of Non-Appropriation

No representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make payments of Rentals and Additional Rentals under the Lease Agreement. The appropriation by the City of future revenues to be paid under the Lease Agreement is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined

at this time. Failure by the City to appropriate funds in any Fiscal Year to make payments of Rentals and Additional Rentals when due constitutes an Event of Non-Appropriation under the Lease Agreement pursuant to which the Trustee may terminate the Lease Agreement and require the City to vacate the St. Louis Jail Facilities at the end of the Fiscal Year for which funds have been appropriated.

No Restrictions on Use of Facility After Default Under Lease Agreement

If an Event of Default occurs for any reason with respect to the City under the Lease Agreement or if the City terminates the Lease Agreement and fails to purchase the Corporation's interest in the St. Louis Jail Facilities, the Corporation has the right to possession of the St. Louis Jail Facilities for the remainder of the Base Lease Term and may sublease the property or sell its interest in the Base Lease or the property upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the St. Louis Jail Facilities under these circumstances, no assurances can be given that interest on the Series 2009 Bonds would continue to be exempt from federal or State income taxation. See "TAX MATTERS – Future Events" herein.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture, the Lease Agreement and the Pledge Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture, the Lease Agreement and Pledge Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2009 Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Lease Agreement, the Pledge Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

Effect of Termination of Lease Agreement on Tax-Exemption

Co-Bond Counsel is not rendering an opinion with respect to the tax-exempt status of the interest component of Rentals distributable to the registered owners of the Series 2009 Bonds subsequent to the termination of the Lease Term for any reason (including an Event of Default under the Lease Agreement or an Event of Non-appropriation). If the Lease Term is terminated while the Series 2009 Bonds are Outstanding, there is no assurance that after such termination the interest component of the Rentals will be excluded from gross income of the registered owners thereof for federal and Missouri income tax purposes.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring and leasing to the City real property and improvements thereon and personal property for use by or on behalf of the City. In furtherance of its purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the Board of Directors of the Corporation (the "Board of

Directors”) nor any person executing the Series 2009 Bonds is personally liable on the Series 2009 Bonds. The Series 2009 Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. The Corporation has by proper corporate actions of its officers been duly authorized to execute and deliver the Lease Agreement, the Base Lease and the Indenture.

Board of Directors/Officers

The property and day-to-day affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of five persons who serve by virtue of their position within the City government for so long as they hold their respective positions:

- 1) The Mayor of the City or designee.
- 2) The Comptroller of the City or designee.
- 3) The President of the Board of Aldermen or designee.
- 4) The City Counselor of the City or designee.
- 5) The Budget Director of the City or designee.

The officers of the Corporation include a President, two Vice Presidents, a Treasurer and a Secretary who are chosen by vote of a majority of the directors in office. The officers hold their respective offices for a term of three years. In addition, the Board of Directors may appoint such other officers and agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

The Corporation neither has nor assumes any responsibility as to the accuracy or completeness of any information contained herein which has been furnished by others, including information under the headings “**THE CITY**,” “**THE PROJECT**,” “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Pledged Revenues**” and **APPENDICES A** and **B** furnished by the City.

Outstanding Indebtedness

The Corporation previously has sold and delivered numerous series of bonds and notes secured by instruments separate and apart from the Indenture and the Lease Purchase Agreement. The owners of such bonds and notes have no claims on the assets, funds or revenues of the Corporation securing the Bonds, and the Owners of the Series 2009 Bonds will have no claim on assets, funds or revenues of the Corporation securing such other bonds and notes, other than the Bonds.

With respect to additional indebtedness of the Corporation, the Corporation may from time to time enter into separate agreements with the City for the purpose of providing financing for eligible projects and programs. Issues that may be sold by the Corporation in the future may be created under the Indenture or under separate and distinct indentures or resolutions and may be secured by instruments, properties and revenues separate from those securing the Bonds, including the Series 2009 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants for the Fiscal Year ended June 30, 2008, are included in Appendix B hereto. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2008, and have not conducted any procedures with respect to the Fiscal Year 2008 financial statements subsequent to their audit.

RATING

Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc. ("S&P") is expected to assign a rating of "A" to the Series 2009 Bonds. No application has been made to any other rating agency in order to obtain additional ratings on the Series 2009 Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of the rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's Rating Service, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that a rating will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2009 Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2009 Bonds, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation, threatened, in any manner challenging or threatening the powers of the Corporation, restraining or enjoining the issuance or delivery of the Series 2009 Bonds or questioning or affecting the validity of the Series 2009 Bonds or the proceedings and authority under which they are to be issued.

Except as disclosed in this Official Statement, there is no litigation, proceeding or investigation pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City. No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Lease Purchase Agreement. See **"APPENDIX A – INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI"** for a more detailed discussion.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2009 Bonds and with regard to the tax-exempt status of the Series 2009 Bonds are subject to the approving legal opinions of Armstrong Teasdale LLP, St. Louis, Missouri, and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2009 Bonds. The expected form of the opinions of Co-Bond Counsel is attached as Appendix G hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their counsel, King Hershey, PC., Kansas City, Missouri.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions **“THE SERIES 2009 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS,” “TAX MATTERS,”** and **Appendixes C, D and G** to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2009 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2009 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009 Bonds. The Corporation has covenanted in the Indenture, and the Corporation and the City have covenanted in the Lease Agreement and the Tax Compliance Agreement, to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2009 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2009 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Original Issue Premium

The Series 2009 Bonds to be sold in the initial offering at a price greater than the principal amount thereof (hereinafter referred to as the “OIP Bonds”) are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the cover page or inside cover page hereof. Under the Code, the difference between the principal amount of an OIP Bond and the cost basis of such OIP Bond to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of an OIP Bond (*i.e.*, the maturity date of an OIP Bond or its earlier call date) for federal income tax purposes. The owner of an OIP Bond is required to decrease

such owner's basis in the OIP Bond by the amount of the amortizable bond premium attributable to each tax year (or portion thereof) such owner owns the OIP Bond. The amount of the amortizable bond premium attributable to each tax year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on an OIP Bond compounded on each interest payment date. The amortizable bond premium attributable to a tax year is not deductible for federal income tax purposes. Owners of OIP Bonds (including purchasers of OIP Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such OIP Bonds and with respect to the State and local consequences of owning and disposing of such OIP Bonds.

State Taxes

In the opinion of Co-Bond Counsel, interest on the Series 2009 Bonds is exempt from taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri; provided, however, that no opinion is expressed as to the applicability of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2009 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain “qualified” obligations. The Series 2009 Bonds are not “qualified” obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Series 2009 Bonds will constitute disqualified income for this purpose.

Information Reporting and Backup Withholding. Commencing with interest paid in 2009, interest paid on tax-exempt obligations such as the Series 2009 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2009 Bonds may be subject to backup withholding if such interest is paid to an owner that (a) fails to provide certain identifying information (such as the owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Changes in Federal Tax Law and Post-Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2009 Bonds, and thus on the economic value of the Series 2009 Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2009 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2009 Bonds may be proposed or enacted.

Future Events

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2009 Bonds may affect the tax status of interest on the Series 2009 Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2009 Bonds, or the interest thereon, if any action is taken with respect to the Series 2009 Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISOR

Public Financial Management, Inc., Philadelphia, Pennsylvania (the “Financial Advisor”), has been retained to render certain professional services to the City. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2009 Bonds and has assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. The Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Corporation, the City and other sources which have certified that such information contains no material misstatement of information.

INVESTMENT ADVISOR

Columbia Capital Management LLC (“Columbia Capital”) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

Siebert Brandford Shank & Co., LLC and the other underwriters listed on the cover of this Official Statement (collectively, the “Underwriters”), have agreed to purchase the Series 2009 Bonds from the Corporation at an aggregate purchase price equal to \$9,928,120.50 (which represents the par amount of the Bonds, plus original issue premium of \$96,104.25 less the Underwriters’ discount of \$87,983.75), pursuant to a Bond Purchase Agreement with the Corporation and the City (the “Bond Purchase Agreement”). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2009 Bonds if any are purchased.

The Series 2009 Bonds are being purchased by the Underwriters from the Corporation for resale in the normal course of the Underwriters’ business activities. The Underwriters reserve the right to offer any of the Series 2009 Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association.

CERTAIN RELATIONSHIPS

Armstrong Teasdale LLP, St. Louis, Missouri and White Coleman & Associates, LLC, St. Louis, Missouri, are serving as Co-Bond Counsel with respect to the issuance of the Series 2009 Bonds. Armstrong Teasdale LLP also represents the City, certain of the Underwriters and the Trustee from time to time on other transactions or matters. White Coleman & Associates, LLC also represents the City and certain of the Underwriters from time to time on other transactions. King Hershey, PC, Kansas City, Missouri, is serving as counsel to the Underwriters in connection with the issuance of the Series 2009 Bonds, and also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Bondowners to send to the Municipal Securities Rulemaking Board certain financial information and operating data annually and to provide notice of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”). See Appendix F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” To the best of its knowledge, the City has never failed to comply in any material respect with any prior undertaking with regard to the Rule to provide annual reports or notices of material events. A failure by the City to comply with such undertaking will not constitute a default on the Bonds (although Bondowners will have any available remedy at law or in equity). Nevertheless, a failure to provide annual reports must be reported in accordance with the Rule and must be considered by any

broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2009 Bonds. Any statement made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, or the Corporation since the date hereof.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2009 Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Ivy Neyland-Pinkston
President

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Mayor

By: /s/ Darlene Green
Comptroller

APPENDIX A

ADDITIONAL INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS

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APPENDIX A **INFORMATION REGARDING THE CITY OF ST. LOUIS**

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the “City”). The delivery of this Official Statement is not intended to create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

ORGANIZATION AND GOVERNMENT

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City is a constitutional charter city not a part of any county, organized and existing under and pursuant to its Charter the Constitution and the laws of the State of Missouri.

The City is popularly known as the “Gateway to the West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the nation’s tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial located on the downtown riverfront.

Government

The City’s system of government is provided for in its Charter which first became effective in 1914 and has subsequently been amended from time to time by the City’s voters.

The Mayor is elected at large for a four-year term and is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City’s boards and commissions. The Mayor possesses the executive powers of the City and those powers are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City’s chief fiscal officer and is elected at large for a four-year term. Pursuant to the City Charter the Comptroller is the Chairman of the Department of Finance for the City and has broad investigative and audit powers with regard to City departments and agencies. The Comptroller also has administrative responsibility for all of the City’s financial departments, accounting procedures and contractual obligations.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City’s 28 wards to serve a four-year term. Half of the City’s wards alternately elect Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor’s veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS —Budget Process” herein.

Most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Recorder of Deeds and Public Administrator of the City are elected independently for four-year terms. Appointments of certain officials, including the members of the Board of Police Commissioners (the “Police Board”) and the Board of Election Commissioners, are made by the Governor of the State of Missouri.

MUNICIPAL SERVICES

General

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

Water and Sewer/Transportation

The City operates a water utility and Lambert-St. Louis International Airport (“Lambert Airport”), both of which are self-supporting enterprises. All of the Lambert Airport facilities and portions of the water utility facilities are located in St. Louis County, Missouri (“St. Louis County”) on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (“Metro”), which has been doing business under the name of “Metro” since February 1, 2003. For additional information on Metro, see “Local Governmental Commissions and Agencies” herein.

Fire Protection

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to Lambert Airport. Services to the City are provided from 30 fire stations currently staffed by approximately six hundred thirty-one full-time firefighters. An estimated seventy-nine full-time firefighters serve Lambert Airport.

Education

The public elementary, middle, and high school systems, and other educational programs within the City are operated under the administration and control of The School District of the City of St. Louis (the “School District”). The Junior College District of St. Louis and St. Louis County (the “Junior College District”) operates a community college district serving the City, St. Louis County, and portions of the Missouri counties of Franklin and Jefferson. The School District and the Junior College District are independent of the City and have their own elected or appointed officials, budgets and administrators. Both the School District and the Junior College District are empowered to levy taxes, separate and distinct from those levied by the City that are sufficient to finance the operations of the respective public school system within its jurisdiction. The School District has historically been operated by the St. Louis Board of Education (the “School Board”).

Under state law, the State Board of Education (the “State Board”) has the authority to accredit public school districts and the authority to intervene in the governance thereof through the creation of a “transitional school district.” State law also authorizes the creation of a three-person governing board to replace the School Board with the Missouri Governor, the Mayor of St. Louis, and the President of the Board of Aldermen each appointing one person to such governing board. Upon the recommendation of the Department of Elementary and Secondary Education, the State Board removed the accreditation of the School District effective June 15, 2007. As a result, The Special Administrative Board of the Transitional School District of the City of St. Louis (the “Special Board”) was created. The School Board appealed the State Board’s decision to the Cole County Circuit Court. On January 23, 2008, the Cole County Circuit Court entered its final judgment and order upholding the State Board’s decision and denied multiple constitutional and other challenges to the section of State law under which the State Board transferred control of the School District to the Special Board. The School Board appealed the Cole County Circuit Court’s decision to the Supreme Court of Missouri. On December 16, 2008, the Supreme Court of Missouri affirmed the Cole County Circuit Court’s decision.

Medical

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. However, the City has now entered into a contract with a private third party to provide such services. Saint Louis ConnectCare, Inc. (“ConnectCare”) was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year of the city, which begins on July 1 (the “Fiscal Year”), the City has contributed \$5 million annually for health services.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City. The authorities and commissions are detailed below:

Police

The Police Department of the City of St. Louis is directed by the Police Board which consists of the Mayor of the City, *ex-officio*, and four members appointed by the Governor with the advice and consent of the State Senate. The Police Board’s duties and powers include the power to administer oaths, summon witnesses and establish a police force. The holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board proposes levels of employment and salaries of the police force with the approval of the City and provides itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The State statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), the Supreme Court of Missouri held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds from one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

Transit

Metro is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. Metro owns and operates the St. Louis Metropolitan region’s public transportation system. The Metro System includes MetroLink, the region’s light rail

system; MetroBus, the region's bus system; and Metro Call-A-Ride, a paratransit van system. Metro also oversees the operations of the St. Louis Downtown Airport and surrounding industrial business park, the Gateway Arch Revenue Collections Center, the Gateway Arch Transportation System, the Gateway Arch Riverboats, and the Gateway Arch Parking Facility. Metro has authority to issue bonds payable out of revenues collected for the use of facilities it leases, owns or operates in the City, St. Louis County and certain Illinois counties within the St. Louis Metropolitan Area.

The original MetroLink system commenced operations in late 1993 and was extended to Lambert Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the system to Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special ½ cent sales tax authorized by the State of Illinois. The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to Metro to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. The deck of the Eads Bridge was refurbished and reopened in July 2003. The Cross County MetroLink extension was completed in August 2006. This project was locally funded through the current and the future revenues of the ¼ cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

Currently there is a special ½ cent sales tax authorized by the State of Missouri, and assessed by the City and St. Louis County, that is primarily used to pay a portion of the costs of the MetroBus system. In August 1994, an additional ¼ cent sales tax was approved by the voters for the expansion of the MetroLink system. If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to Metro. Due to the defeat of a sales tax increase by the voters of St. Louis County in November, 2008, Metro was forced to eliminate certain routes serving portions of St. Louis County. Metro recently received a one-time appropriation from the State of Missouri to support partial service restoration for approximately ten months, and a federal grant for each of two years requiring a percentage of local matching funds, that will partially support five Metrobus routes. Metro's partial service restoration plan is designed to restore the most needed transit service throughout the St. Louis Region. The City presently has no legal obligation to increase its level of funding to Metro.

Development

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical assistance, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 75 staff members who work under several divisions, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); The Industrial Development Authority of the City of St. Louis, Missouri; (the "Authority"); Port Authority; Tax Increment Financing Commission; Downtown Economic Stimulus Authority; and Operation Impact. SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

Other

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, the Regional Convention and Visitors Commission, the Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and The Partnership For Downtown St. Louis.

ECONOMIC AND DEMOGRAPHIC DATA

Population Statistics

The 61.4-square-mile City is the center of the St. Louis Consolidated Standard Metropolitan Statistical Area (the “Metropolitan Area”) consisting of: the City; the City of Sullivan in Crawford County, Missouri; Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering approximately 8,649 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States in terms of population.

In the five decades between 1950 and 2000, population in the counties surrounding the City grew while the City’s population declined by 500,000, or more than 60%. According to Census Bureau, however, the City’s population trend has reversed and since 2003 the City’s population has experienced growth. At the time of the 2000 census, the City’s population was 348,189, down from a high of more than 850,000 in 1950. As of July, 2007, the Census Bureau estimates the City’s population at 355,663.

A 2008 study by marketing firm Lesser & Co. found that 77% of Americans born after 1981 want to live in an “urban core”. This bodes well for the City’s future population growth.

The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

Calendar Year	City of St. Louis	Metropolitan Area
2001	347,954	2,720,830
2002	347,252	2,736,733
2003	348,039	2,750,114
2004	350,705	2,766,043
2005	352,572	2,782,411
2006	353,837	2,796,368
2007	355,663	2,803,707

Source: U.S. Bureau of Census and Missouri Department of Economic Development.

Estimates of population since 2000 have been challenged by the City because the Census Bureau has used an Administrative Records methodology (births, deaths, domestic migration and international migration) which treats the City as a county. The City has challenged lower Census Bureau estimates by using the Census Bureau’s Housing Unit methodology (net increase in units times the occupancy rate and household size as of 2000), which the Census Bureau uses for all cities that are not also counties. Upon receipt of the City’s challenges, the Census Bureau adjusted the estimates upwards to the figures shown in the table above. The new estimates are now reflected in the Census Bureau’s records and website.

Industry

There are approximately 90,000 employees working in downtown St. Louis. The downtown area is the office center in a region of approximately 2.8 million residents with more than 11 million square feet of Class A and B office space and is home to approximately 1,700 businesses. The St. Louis region ties as the nation's sixth largest corporate headquarters market, with eight Fortune 500 corporations located in the St. Louis Metropolitan Area in 2008. Thirteen additional St. Louis companies ranked between 501 and 1,000 on the Fortune 1000 list.

In the fifty years between 1950 and 2000, the City's economy was badly damaged by an exodus of manufacturing jobs to the suburbs. As a result, the City's economy was reshaped and now relies heavily on life sciences and medical employment, entertainment, and professional firms. The remaining manufacturers are focused on the production of "staples". For example, Dial and Procter & Gamble both produce goods that are expected to be relatively unaffected by the recession—soaps, bleaches, and detergents for household use. Both of these firms are undergoing expansion on the City's north riverfront. In addition to expansion of existing businesses, an influx of creative and other professional firms, both downtown and in other parts of the City, and an expansion of the City's hospitality and entertainment industry has contributed to job growth in the City. Much of this growth has been made possible by the use of City incentives and by the availability of Missouri incentives, in particular the Missouri Historic Tax Credit.

The Anheuser Busch-InBev merger was consummated at the end of 2008 and Anheuser-Busch has become a wholly-owned subsidiary of InBev. The City is now home to the new AB/InBev headquarters for the North American region and remains the global home of the flagship Budweiser brand. The Anheuser Busch/InBev merger has resulted in a variety of changes, most notably the loss of a world headquarters. However, as AB/InBev has consolidated and reduced its workforce in the St. Louis region remaining jobs have been moved from leased suburban office space to AB/InBev's North American headquarters in the City's Soulard neighborhood.

Also of note, Wachovia purchased the former A. G. Edwards brokerage firm in 2008, intending to make St. Louis the headquarters for Wachovia Securities. Shortly after the purchase was finalized Wells Fargo purchased Wachovia. The City expects that Wells Fargo will honor Wachovia's commitment to retain a minimum of 4,500 workers in the City of St. Louis.

Tourism

According to the St. Louis Convention and Visitors Commission (the "CVC"), the City ranks among the top 25 markets nationally for hotel room inventory. Each year an estimated 20.3 million people visit St. Louis for conventions, meetings, and other business and leisure travel. Those visitors spend an estimated \$3.5 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services.

In July, 2009, the new Cardinals ballpark hosted Major League Baseball's All-Star Game. This event generated significant revenue which will be reported in the City's annual financial statement for FY2010.

In March and April of 2009, production took place in the City for a major motion picture film. This activity also resulted in a boost to the City's economy and the City hopes that the success of that film will lead to the attraction of additional film productions.

The hospitality industry in St. Louis employs approximately 75,000 area residents. Downtown St. Louis has 23 hotels within a mile of the convention complex known as the America's Center ("America's Center"). These hotels offer more than 7,800 sleeping rooms, an increase of more than 2,400 downtown rooms in the past four years.

In early 2008, the region's first Four Seasons Hotel, a 200 guest room and suite hotel, opened on Laclede's Landing in downtown St. Louis and the former Embassy Suites adjacent to Lumiere Place was converted to Hotel Lumiere. In 2008 a new Drury Hotel on I-44 at the western edge of the City also opened.

Some of the newest hotels are a result of renovations of historic structures. Most recently, the Indigo boutique hotel developed by the Roberts Companies opened in the Central West End in December, 2008. In April 2009 developer Joe Edwards completed Moonrise Hotel, a newly constructed boutique hotel in the Delmar Loop area. Other recently opened, renovated hotels in the downtown area include the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Other existing hotel properties, including the St. Louis Riverfront Hyatt Regency (formerly the Adam's Mark), St. Louis Union Station Hyatt Regency, Millennium, Roberts Mayfair and others, have undertaken extensive renovations. The former Marriott Pavilion hotel has been converted to a Hilton following extensive renovations. In addition, a new Marriott Residence Inn opened in late 2005 on the western edge of downtown, and a new Hampton Inn opened in May 2005 at the Highlands across from Forest Park.

A new Embassy Suites is included in the renovation plan for the former Dillard's Building immediately east of America's Center. The former Adams Mark is now a Hyatt Regency and is undergoing \$60 million in renovations. A \$50 million conversion of the former Hyatt at Union Station to a Marriott is poised to start.

In FY2008, 151 events took place in America's Center. As a result of these events, 554,031 room nights were booked, representing an increase of nearly 6% over FY2007 room nights and a 27% increase over FY2006 room nights resulting from America's Center bookings. These room nights do not include leisure travel hotel rooms.

Transportation

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. The St. Louis Development Corporation is working with the Army Corps of Engineers (the "Corps of Engineers") and the U. S. Economic Development Administration to expand the capacity and versatility of the City's Municipal Docks on the north riverfront. The existing leases on these docks expire in 2011. Phase I of this initiative is the repair and modernization of the two existing docks. Phase II involves connecting these docks to provide a much larger contiguous freight transfer area. Both of these phases will provide the docks with the capacity to handle international shipping containers. Today this capacity does not exist anywhere in the St. Louis region.

Approximately 273,000 commercial aircraft operations (arrivals and departures) were performed at Lambert Airport in 2007 and approximately 15.4 million passengers enplaned and deplaned in such year—a 1.2% increase over 2006—although the number of such passengers dropped in 2008 to approximately 14.4 million—a decrease of approximately 6%. This drop in passenger enplanements and deplanements is believed to be a function of the national recession affecting the economy of the region. Lambert Airport has 83 gates serving 10 major airlines. American Airlines is Lambert Airport's primary carrier although Southwest Airlines traffic at Lambert is significant. In 2007, Lambert Airport embarked on major renovations and upgrades to the main terminal and concourses for the purpose of improving Lambert Airport's appeal to passengers of all types. These renovations are now underway.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri and the Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the U.S. Department of Labor, the December 2008 data shows that manufacturing jobs represented 9.2% or 125,800 of the total 1,354,200 non-farm jobs in the Metropolitan Area. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications and transportation.

The following table reflects the City's annual average employment by industry group for 2008.

CITY EMPLOYMENT BY INDUSTRY GROUP (TOTAL NON-FARM)

<u>Industry Group</u>	<u>Employees</u>	<u>Percentage</u>
Services	65,055	32.65%
Government	33,801	16.96
Manufacturing	18,309	9.19
Finance Activities	11,246	5.64
Trade, Transportation and Utilities	24,369	12.23
Leisure and Hospitality	23,919	12.00
Information	6,841	3.43
Natural Resources, Mining and Construction	<u>15,703</u>	<u>7.88</u>
Total	199,243	100.0%

Source: Missouri Department of Economic Development.

There were 199,243 non-farm jobs within the City in 2008, representing 14.7% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

Employment Information

The following table shows employment information and unemployment rates for City, state and U.S. residents in the calendar years below, except as otherwise indicated.

	<u>Average</u> <u>2008</u>	<u>Average</u> <u>2007</u>	<u>Average</u> <u>2006</u>	<u>Average</u> <u>2005</u>	<u>Average</u> <u>2004</u>
Labor Force	156,950	156,007	158,275	160,920	161,554
Number Employed	144,444	145,091	147,428	147,825	146,935
% City Unemployed	8.0%	7.0%	6.9%	8.1%	9.0%
% State Unemployed	6.0%	5.0%	4.8%	5.4%	5.8%
% U.S. Unemployed	5.7%	4.6%	4.6%	5.1%	5.5%

Source: Missouri Department of Economic Development

Major Taxpayers

The following tables list the 20 largest payers of earnings, payroll, real property and personal property taxes combined to the Collector of Revenue for calendar year 2008.

TOP 20 TAXPAYERS CALENDAR YEAR 2008

<u>Company Name</u>	<u>Amount Paid</u>
Anheuser-Busch InBev ¹	\$14,779,455
Wells Fargo ²	10,565,721
Ameren Corporation	9,512,008
AT&T	8,951,292
Casino One Corporation	6,933,279
Washington University	5,924,549
MB St. Louis Chestnut (900 Pine)	5,369,884
BJC Health System	4,418,306
Nestle Purina Petcare	4,355,336
U.S. Bank National Association	3,650,759
Tenet Health Sys SL Inc.	3,388,459
The City of St. Louis, Missouri	3,374,206
Laclede Gas Company	3,360,472
Sigma Aldrich Co.	2,997,520
St. Louis University	2,819,597
UGP Kiener/Stadium Parking	2,421,172
Defense Finance & Acct	2,308,736
Hertz/ 10 S. Broadway LLC	2,291,097
First States Investors	2,228,856
Metropolitan Square & East 10 th St LLC	2,150,639

¹Anheuser-Busch merged with InBev at the end of calendar year 2008

²A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007. Wachovia was acquired by Wells Fargo in October 2008.

Source: City Collector of Revenue.

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 2004 through 2008.

<u>Calendar Year</u>	<u>Value of Housing New</u>	<u>Rehabilitation</u>	<u>Value of Commercial, Industrial or other Non-Housing</u>	<u>Total Number of Permits</u>	<u>Total Value</u>
2004	\$ 41,002,001	\$104,936,144	\$526,140,457	6,069	\$672,078,602
2005	155,865,516	193,213,943	306,599,451	7,050	655,678,910
2006	67,285,849	137,618,669	664,198,597	6,341	869,103,115
2007	77,677,613	191,705,223	332,808,347	5,476	602,191,183
2008	80,113,004	36,531,184	411,480,366	5,192	528,124,554

Source: City Building Division.

Sports Related Economic Development

The City is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. The three teams make significant contributions to the economy of the St. Louis Metropolitan Area with ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The three teams also generate positive national media attention for the City. St. Louis is regarded by many as America's best sports city because of the quality of its teams and the excellence of its fan base.

St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2009 the City of St. Louis hosted the Women's NCAA Final Four and generated significant economic impact and positive media recognition. St. Louis again hosted the NCAA Wrestling Championships at the Scottrade Center for the fourth time in the past five years.

The new ballpark, Busch Stadium, opened in April 2006 and attendance has exceeded 3.4 million per season since that time with approximately 40% of the attendees coming to the City from outside the St. Louis region. The new Busch ballpark holds more than 46,000 baseball fans and in 2008 had the fourth highest attendance in major league baseball. The new Busch Stadium hosted the 2009 Major League Baseball All-Star Game in July.

The former Busch Stadium has been demolished, setting the stage for the new Stadium and the development of Ballpark Village, a six-block, mixed use complex that will occupy the northern half of the site of the old stadium. The Cardinals have teamed with the Cordish Company, a developer with extensive national experience in the development of mixed use entertainment districts, for the development of the Village. Although the schedule for the development has been set back due to difficulties in the bond markets over the past twelve months, the City and the developers are moving forward with the necessary approval processes so that when the bond markets improve construction can commence.

Business Development

The Business Development Division of the SLDC administers a variety of loans working in conjunction with the Local Development Corporation, the Small Business Administration and the Federal Economic Development Administration. In addition the SLDC, working as a team with the Comptroller's Office, the Mayor's Office, and the St. Louis Board of Aldermen, administers the City's Tax Increment Financing ("TIF") program, the Downtown Economic Stimulus Authority, and real estate tax abatement incentive programs. The Planning and Urban Design Agency and the Land Clearance for Redevelopment Authority, together with the Board of Aldermen, developed plans for the revitalization of various areas of the City. In 2005 the City's Planning Commission adopted the City's first city-wide land use plan since 1947. In addition, the SLDC applied for and received from the U.S. Department of Treasury a \$52 million allocation of New Markets Tax Credits that have now been allocated to a variety of organizations for business and real estate development in the City. In 2008 the SLDC received an additional \$45 million allocation of New Markets Tax Credits.

The City has completed and is embarking on a variety of public and civic improvement initiatives designed to make downtown and other parts of the City even more attractive to residents, workers and visitors. While some of these initiatives involve public incentives, others are entirely privately funded. The new \$30 million City Garden, an innovative and attractive new public space featuring world class sculpture in the Gateway Mall, was designed and funded entirely by the Gateway Foundation and -its construction was completed in July, 2009. The Gateway Foundation also provided funding for a plan for the entire Gateway Mall which is an 18-block green space that runs through the center of downtown. Private fundraising efforts are underway to implement plans for other Gateway Mall blocks. The renovation of Old Post Office Plaza, a \$9 million new public space immediately north of the Old Post

Office and one block south of America's Center, was completed in March, 2009. The City and the National Park Service continue to work together to explore ways in which the riverfront can become an even better center for recreational activities for residents, workers and visitors. The Park Service is now actively engaged in the preparation of a master plan for the park planned for the Jefferson Memorial Expansion project and adjacent rights-of-way.

Financing plans for a new Mississippi River bridge immediately north of downtown have been finalized. The Missouri Department of Transportation ("MoDOT") is in the process of completing the bridge design and construction is expected to commence in 2010. This bridge will improve access to downtown and northside neighborhoods from Illinois. Approximately 30% of downtown's workforce lives in Illinois on the east side of the region.

In November of 2008, the Gateway Multimodal Transportation Center was completed as a new home for Amtrak and Greyhound and the complex includes a MetroLink stop and MetroBus service. Due in part to the completion of the facility, officials in both Missouri and Illinois are optimistic about the possibility of high-speed rail service from St. Louis to Chicago and Kansas City.

In January 2008 MoDOT commenced the \$535 million, 2-year reconstruction of a segment of Highway I-64 from Spode Road in St. Louis County to a point in the City west of downtown. In January, 2009 the western portion of the reconstruction project was opened to vehicular traffic and construction on the eastern portion commenced. This eastern portion, the final phase of the reconstruction project is located partially within the City. Because downtown St. Louis is not included in the construction zone and because a variety of interstate highways (I-70, I-44, I-55 and I-64) converge in downtown, downtown has not suffered serious negative impact as a result of the reconstruction project. City leaders worked closely with the regional council of governments and the Downtown Partnership to ensure that the City's roadways and signalization system were well-prepared for the commencement of full construction of the City segment in January of 2009, and the City received a special \$3 million grant from the regional council of governments to assist in this process. This special funding also advanced the City's goal of signal synchronization throughout the City. Reconstruction of the Jefferson Avenue Viaduct was completed at the end of 2008, paving the way for more efficient detouring during the I-64 construction period. The completion of this I-64 reconstruction project will eliminate the need for major additional construction in this stretch of highway for years to come and will enhance both the efficiency and attractiveness of this entranceway into the City. Once the I-64 construction is complete, reconstruction of the Grand Avenue Viaduct will commence. This development is benefiting from new American Recovery and Reinvestment Act ("ARRA") funding which will pay for the reconstruction of the MetroLink transit stop under the viaduct.

Great Rivers Greenway has continued to expand its network of greenways within the City and provide additional opportunities for recreation and travel to work. More downtown workers are now using bicycles to access their workplaces.

American Recovery and Reinvestment Act ("ARRA") and the City of St. Louis

In February of 2009 President Obama and the United States Congress enacted ARRA, a special appropriations and tax bill designed to stimulate economic recovery throughout the United States. The City will benefit from ARRA in a number of respects.

First, ARRA has made available approximately \$40 million in federal transportation funding which will benefit the City. Approximately half of this amount (\$20 million) will be made available through the regional council of governments and half (\$20 million) will be made available through MoDOT for fifteen important City transportation infrastructure projects. One significant advantage to this funding is that it does not require a local match. As a result of ARRA, the City will be able to

complete construction and reopen to traffic the Tucker Viaduct, which is major arterial that links downtown to the City's northside and which will soon become the major downtown access route from the new Mississippi River Bridge.

ARRA funding will also improve the segment of Grand Avenue that serves the City's major ethnic business district as a part of East-West Gateway's "Great Streets" initiative. In addition, ARRA will fund improvements to Carrie Avenue that will open a large segment of the north riverfront for warehouse and industrial development. ARRA will also fund streetscape improvements along Sarah Avenue and South Broadway that will support two major residential initiatives now in predevelopment. ARRA will make additional major bridge, paving and traffic signal work possible at no cost to the City. Transportation funding will also benefit the port improvement project discussed above. ARRA funding of improvements on Memorial Drive between the Gateway Arch and the remainder of downtown will improve the appearance and accessibility of this important connection until the planned major reconstruction can take place.

ARRA also implements the Energy Block Grant program, from which the City will receive a new entitlement allocation of \$3.7 million. The City plans to use these funds for capital improvements that will reduce energy usage and energy costs in City-owned facilities, and to test innovative forms of street lighting and electrical generation that will also reduce energy consumption and cost.

Through the Corps of Engineers ARRA funding, the City's floodwall and levee are expected to receive additional improvements that will further enable the flood protection system to withstand major floods. The Corps of Engineers continues to secure non-ARRA appropriations to make the originally contemplated improvements.

Development Overall

Between July of 2001 and December of 2008 nearly \$5 billion in construction has been completed in the City. This construction includes \$1.2 billion in residential construction, \$2.3 billion in commercial and mixed use construction, and \$1.4 billion in institutional construction. Over this same time period construction activity has generated significant revenues for the City including more than \$44 million in building permit fees, and is estimated to have generated nearly \$30 million in construction worker earnings and payroll taxes. The sizeable volume of visible construction activity in the City has led an ever-increasing number of businesses and individuals to believe that the City has a positive future.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of real and personal property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds.

Governmental Type Funds—Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The City's governmental type funds include the following:

General Revenue Fund—The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund—Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation long-term debt principal, interest and related costs.

Capital Project Fund—Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds types).

Proprietary Funds—Proprietary Funds are used to account for the City’s ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City’s proprietary fund types include the following:

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds—Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds—Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. A description of the City’s fiduciary fund follows:

Agency Funds—Agency Funds are used to account for assets held as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to July 1, the beginning of each Fiscal Year. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items unless specifically approved by the Board of Estimate and Apportionment. Also under the City Charter the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption "GENERAL REVENUE RECEIPTS—The Hancock Amendment" herein.

Should the Board of Estimate and Apportionment fail to timely submit its proposed budget or tax rate to the Board of Aldermen the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen fail to approve a budget or tax rate by the beginning of a Fiscal Year the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or in its absence the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund and no appropriation may be made for any purpose for which the money is not lawfully applicable. The Board of Estimate and Apportionment may from time to time appropriate any accruing unappropriated City revenue. Whenever an appropriation exceeds the amount required for the purpose for which it was made the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money not appropriated by special ordinance for a specific purpose reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. The City's Comprehensive Annual Financial Report for Fiscal Year 2007 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the twentieth consecutive year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize governmental units which publish an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division City for its annual budget for the Fiscal Year beginning July 1, 2008. This award is given in recognition of governmental units which publish a budget document that meets program criteria as a policy document, an operations guide and a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides (1) integrated general and subsidiary accounting of all funds, (2) appropriation/encumbrance accounting and controls and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by the Control Section through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM System.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The City Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. Consistent with Missouri law all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer or in time deposits collateralized by those securities.

General Revenue Fund

In accordance with generally accepted accounting procedures for governmental units the City records its financial transactions under various funds. The largest is the General Revenue Fund from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses. The downturn in economic conditions during the fiscal year is projected to

result in FY09 general revenues falling short of original estimates by approximately \$10 million. Earnings and payroll tax receipts have indicated declines of over 1% for the year and combined with a projected 2% decline in sales tax receipts account for approximately \$4 million of the estimated shortfall. While most telecommunications franchise tax receipts have been received as planned, approximately \$1.6 million in anticipated payments continue to be paid under protest. Payments of prisoner reimbursements paid by the State and released to the City general revenue are expected to fall approximately \$3.9 million short of estimates due to both a decline in prisoner census totals as well as a one-time allocation of these funds to the debt service reserve of the Justice Center.

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General Revenue Fund Expenditures

Table I is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2004 through 2008.

TABLE I
CITY OF ST. LOUIS
GENERAL REVENUE FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
ACCRUAL BASIS – FISCAL YEARS ENDED JUNE 30
(IN THOUSANDS)

Revenues	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Taxes	\$341,577	\$321,610	\$323,848	\$308,836	\$294,387
Licenses & Permits	17,191	18,384	20,009	18,597	16,960
Intergovernmental Aid	23,768	23,359	25,331	25,593	22,531
Charges for Services, net	16,398	17,588	16,301	14,747	15,810
Court Fines & Forfeitures	10,000	8,273	7,893	8,773	8,906
Investment Income	3,864	5,965	5,800	1,749	1,621
Interfund Services provided	3,868	3,719	4,009	4,519	3,921
Miscellaneous	<u>4,534</u>	<u>2,512</u>	<u>4,265</u>	<u>2,766</u>	<u>4,263</u>
Total Revenues	\$421,200	\$401,410	\$407,456	\$385,580	\$368,399
Expenditures					
General Government	\$ 83,835	\$ 36,992	\$ 53,941	\$ 41,651	\$ 43,036
Convention & Tourism	201	154	204	1,795	199
Parks and Recreation	18,072	19,167	18,667	18,279	18,501
Judicial	45,571	41,806	40,427	40,478	40,059
Streets	29,056	27,070	27,930	28,000	28,695
Public Safety	335,730	234,350	230,814	218,927	223,776
Health and Welfare	2,997	2,663	3,511	2,941	4,989
Public Services	25,490	23,259	23,122	21,401	22,131
Debt Service	<u>40,199</u>	<u>26,604</u>	<u>16,925</u>	<u>27,000</u>	<u>19,832</u>
Total Expenditures	<u>\$581,151</u>	<u>\$412,065</u>	<u>\$415,541</u>	<u>\$400,472</u>	<u>\$401,218</u>
Excess of Revenues Over (Under) Expenditures Other Finance Sources/(Uses)	(\$159,951)	(\$ 10,655)	(\$ 8,085)	(\$ 14,892)	(\$ 32,819)
Issuance leasehold revenue bonds	145,447	23,165	-	-	-
Bond discount on debt issuances	(2,953)	(321)	-	-	-
Payment refunded to Bond Escrow Agent	(8,632)	(22,830)	-	-	-
Transfers In	19,447	19,768	18,536	20,386	24,458
Recovery of legal judgment	-	-	-	-	2,972
Transfers Out	<u>(13,215)</u>	<u>(14,693)</u>	<u>(2,954)</u>	<u>(2,603)</u>	<u>(1,419)</u>
Total Other Financing Sources (Uses)	\$140,094	\$ 5,089	\$ 15,582	\$ 17,783	\$ 26,011
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	<u>(19,857)</u>	<u>(5,566)</u>	<u>7,497</u>	<u>2,891</u>	<u>(6,808)</u>
Fund Balances (Beginning of Fiscal Year)	<u>74,728</u>	<u>80,294</u>	<u>72,797</u>	<u>69,906</u>	<u>76,714</u>
Fund Balances (End of Fiscal Year)	<u>\$ 54,871</u>	<u>\$ 74,728</u>	<u>\$ 80,294</u>	<u>\$ 72,797</u>	<u>\$ 69,906</u>

Source: Audited Financial Statements.

Table II shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years 2006 through 2008.

TABLE II
CITY OF ST. LOUIS
GENERAL FUND REVENUES
SUMMARY OF OPERATIONS
CASH BASIS - FISCAL YEARS ENDED JUNE 30
(IN THOUSANDS)

Revenues	<u>2008</u>	<u>2007</u>	<u>2006</u>
Taxes	\$349,582	\$333,933	\$329,956
Licenses & Permits	17,285	18,392	19,504
Intergovernmental Aid	17,404	17,449	19,766
Charges for Services	18,946	20,930	20,736
Court Fines & Forfeitures	6,885	4,390	4,109
Interest	1,729	2,830	2,079
Miscellaneous	<u>3,089</u>	<u>3,139</u>	<u>3,414</u>
Total Revenues	<u>414,920</u>	<u>401,063</u>	<u>399,564</u>
Expenditures			
General Government	39,150	39,527	41,603
Convention & Tourism	199	156	208
Parks & Recreation	17,883	19,149	19,343
Judicial	43,559	42,016	41,475
Streets	29,376	26,900	28,058
Public Safety	106,176	100,815	101,542
Police	129,128	131,775	133,247
Health & Welfare	2,963	2,857	3,590
Public Services	25,092	23,218	23,069
Debt Service	<u>33,270</u>	<u>24,997</u>	<u>9,901</u>
Total Expenditure	<u>426,796</u>	<u>411,410</u>	<u>402,036</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,876)</u>	<u>(10,347)</u>	<u>(2,472)</u>
Other Financial Sources (Uses):			
Transfers In	20,485	23,898	25,202
Transfers Out ¹	<u>(12,063)</u>	<u>(14,293)</u>	<u>(11,667)</u>
Total Other Finance Sources (Uses)	<u>8,422</u>	<u>9,605</u>	<u>13,535</u>
Excess of Revenues & Other Finance Sources Over (Under)			
Expenditures & Other Finance Uses	(3,454)	(742)	11,063
Fund Balances (Beginning of Fiscal Year)	<u>21,536</u>	<u>22,278</u>	<u>11,215</u>
Fund Balances (End of Fiscal Year)	<u>\$ 18,082</u>	<u>\$ 21,536</u>	<u>\$ 22,278</u>

¹Transfers include transfers to and from reserves.
Source: City Comptroller's Office.

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2006 through 2008.

	Fiscal Year		
TAXES:	<u>2008</u>	<u>2007</u>	<u>2006</u>
Earnings	32.48%	32.10%	31.67%
Franchise	13.32	12.35	12.70
Sales	11.27	11.47	11.38
Gross Receipts	1.92	1.92	3.06
Motor Vehicle Sales Tax	0.71	0.96	0.86
Real Estate	9.46	8.72	8.20
Personal Property	2.30	2.46	2.41
Payroll	8.49	8.20	8.72
Other Taxes	<u>0.34</u>	<u>0.40</u>	<u>0.34</u>
Total Taxes	<u>80.29</u>	<u>78.58</u>	<u>79.34</u>
License Fees	3.97	4.33	4.68
Departmental Receipts	11.04	11.47	12.03
27 th Pay Reserve Transfers			
Transfers	<u>4.70</u>	<u>5.62</u>	<u>3.95</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City Comptroller's Office.

Earnings Tax

The City's earnings tax (as described herein, the "Earnings Tax") is the most significant single source of General Revenue Fund revenues, representing approximately 32% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2008. The Earnings Tax is levied against the gross income of residents of the City and nonresidents employed within the City and against the net profits of businesses located within the City. The Earnings Tax was authorized by State statute in 1954 and the current rate of 1% has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than \$1,500 per month which are required to remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's General Fund Earnings Tax revenue for the Fiscal Years 2004 through 2008 was as follows:

<u>Fiscal Year</u>	<u>Earnings Tax</u>
2004	\$121,111,509
2005	122,941,515
2006	131,735,560
2007	136,433,476
2008	141,404,681

Source: City Comptroller's Office.

Franchise Tax

The franchise tax of the City (as describe herein, the “Franchise Tax”) is a tax on utilities operating within the City and on certain gross receipts of Lambert Airport. The Franchise Tax is passed on to the consumers by the utilities. The Franchise Tax charged against Laclede Gas Company and AmerenUE is 10% on the gross receipts from their commercial customers and 4% on the gross receipts from their residential customers. Charter Communications, Inc. is taxed at 5% on the gross revenues for its City cable franchise revenues from this tax Revenues from this tax are not deposited to the General Fund. Telecommunications companies, Trigen Energy Corp. and the Water Division of the City, are each taxed at 10% on their respective gross receipts from all users and Lambert Airport pays 5% of its gross receipts; revenues from these taxes are all deposited to the General Revenue Fund. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City’s General Fund Franchise Tax revenue for the Fiscal Years 2004 through 2008 was as follows:

<u>Fiscal Year</u>	<u>Franchise Tax</u>
2004	\$52,271,960
2005	52,083,765
2006	52,851,002
2007	52,455,509
2008	58,014,560

Source: City Comptroller’s Office.

Sales and Use Tax

City sales taxes are authorized by the Missouri General Assembly and approved by voters. The current sales tax rate is 8.241%, which includes the State of Missouri tax rate of 4.225%. The general fund portion of the tax rate is 1.375%. The remaining portions of the tax rate are earmarked for transportation, capital improvement, public safety, parks and the transitional school district.

In addition, the City imposes a use tax on all out-of-state purchases by in-state residents that are greater than \$2,000. The revenues of the use tax are earmarked to provide funds for the development and the preservation of affordable and accessible housing, public health care services and building demolition. The current use tax rate is 6.95%. The use tax revenues are revenues of a special revenue fund and are not deposited into or a part of the general fund.

The City’s General Fund Revenue Sales Tax receipts for the Fiscal Years 2004 through 2008 were as follows:

<u>Fiscal Year</u>	<u>Sales Tax</u>
2004	\$44,916,621
2005	46,013,082
2006	47,346,639
2007	48,759,269
2008	49,060,636

Source: City Comptroller’s Office.

Gross Receipts Tax

The City's gross receipts tax is derived from three sources: (1) public garage and parking lots tax; (2) amusements admission tax; and (3) restaurant tax. The City's gross receipts tax revenue for the Fiscal Years 2004 through 2008 was as follows:

<u>Fiscal Year</u>	<u>Gross Receipts Tax</u>
2004	11,566,876
2005	11,826,756
2006	12,748,707
2007	8,168,761*
2008	8,361,949

*Pursuant to Ordinance 65699, beginning in Fiscal Year 2007 the City revised the applicability of its 5% amusement tax so as to exclude the application of the tax on Cardinal ticket sales in order to promote the development of a new ballpark and the surrounding area. The City's Board of Aldermen recently adopted Ordinance 68380, which amended Chapter 8.08 of the St. Louis City Revised Code, and has the affect of excluding the application of the amusement tax on ticket sales at Blues hockey games and other amusement events at the Scottrade Center.

Source: City Comptroller's Office.

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. The distribution is based on residence of the purchaser and not point of purchase.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2004 through 2008 was as follows:

<u>Fiscal Year</u>	<u>Motor Vehicle Sales Tax</u>
2004	\$3,522,049
2005	3,563,374
2006	3,573,545
2007	4,060,390
2008	3,103,596

Source: City Comptroller's Office.

Real and Personal Property Taxes

Taxes are levied on all real and personal property within the City owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Real property and personal property are not taxed at the same rate. The formula for setting the tax rate does not allow for more than normal growth in tax collections. This approach is mandated by Senate Bill No. 71 effective August 28, 2008. Senate Bill No. 71 requires political subdivisions to reduce their tax rates in a fiscal year according to the Hancock formula even if the political subdivision's tax rate is below the tax rate ceiling. As a result, there can be no "windfall" to the City based upon the reassessments.

Assessed Year	<u>Real Property</u>¹		<u>Personal Property</u>¹		Manufacturers¹	Total
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Inventory Assessed Value</u>	<u>Assessed Value</u>
2004	\$2,310,268,668	\$ 9,741,401,301	\$770,103,724	\$2,312,623,796	\$285,352,828	\$3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603
2006	2,839,458,315	12,323,639,135	767,274,268	2,304,126,931	286,014,328	3,892,746,911
2007	3,459,513,734	15,105,666,861	805,297,902	2,418,312,018	292,370,530	4,557,182,166
2008	3,533,951,238	15,390,825,612	861,836,703	2,588,098,207	287,366,431	4,683,154,372

¹ Source: City Assessor's Office.

¹ Source: City License Collector's Office.

The estimated "Market Value" of real property in the City for the last five calendar years is set forth below:

<u>Calendar Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Real Property</u>
2004	\$3,533,864,775	\$ 6,207,536,526	\$ 9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889
2006	3,830,514,456	8,493,124,679	12,323,639,135
2007	4,534,131,003	10,571,535,858	15,105,666,861
2008	4,689,956,706	10,700,868,905	15,390,825,612

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2008 was \$1.2123 per \$100 of assessed valuations and during the Fiscal Year 2007 was \$1.3262 per \$100 of assessed valuations. The collection rate for the Fiscal Year 2008 was 84.2% compared to the rate of 90.3% for the Fiscal Year 2007. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due as shown in the following table is understated. The City's General Fund Real and Personal Property Tax revenue for the Fiscal Years 2004 through 2008, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>
2004	\$31,133,552	\$11,308,831
2005	32,535,672	11,117,309
2006	34,108,578	10,019,639
2007	37,020,349	10,460,702
2008	41,188,305	10,020,978

Source: City Comptroller's Office.

Payroll Tax

Voters approved a Payroll Tax in 1988. The Payroll Tax is ½ percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to nonprofit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter. The City's General Fund Payroll Tax revenue for the Fiscal Years 2004 through 2008, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Payroll Taxes</u>
2004	\$31,483,891
2005	31,588,099
2006	36,280,566
2007	34,857,007
2008	36,960,559

Source: City Comptroller's Office.

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's General Fund other tax revenue for the Fiscal Years 2004 through 2008, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Other Taxes</u>
2004	\$1,427,576
2005	1,438,646
2006	1,273,080
2007	1,717,635
2008	1,490,288

Source: City Comptroller's Office.

License Fees

License Fees are collected by the City for use, sale or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business licenses and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new license fees is administered by the License Collector's Office. The City's General Fund license fee revenue for the Fiscal Years 2004 through 2008, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>License Fees</u>
2004	\$17,164,611
2005	18,597,181
2006	19,504,418
2007	18,392,139
2008	17,284,929

Source: City Comptroller's Office.

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the

City Courts. Also included in Departmental Receipts is Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2004 through 2008, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Departmental Receipts</u>
2004	\$45,717,274
2005	46,253,141
2006	50,104,137
2007	48,737,953
2008	48,053,344

Source: City Comptroller's Office.

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Tourism Fund and pledge accounts released on lease purchase agreements. Remaining transfers represent funds which by law must first be deposited in a fund other than the General Revenue Fund. After a determination by the Comptroller that such deposits are a surplus these funds are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2004 through 2008, on a cash basis, were as follows:

<u>Fiscal Year</u>	<u>Operating Transfers¹</u>
2004	\$18,664,916
2005	21,460,749
2006	16,443,308
2007	23,298,344
2008	20,484,557

¹ Figures do not include transfers related to certain employment reserves.
Source: City Comptroller's Office.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by voters on November 4, 1980. The amendment (popularly known as the "Hancock Amendment") limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and provides that the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but in recent decisions, the Missouri Supreme Court has opined that it

does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by third-party insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which are made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a nonprofit corporation from which all judgments or settlements are paid. Expenditures for judgments and settlements during the Fiscal Years 2004 through 2008 were:

<u>Fiscal Year</u>	<u>Expenditures</u>
2004	\$1,577,279
2005	849,533
2006	1,419,180
2007	1,182,762
2008	1,291,266

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator, together with improved City safety efforts has resulted in a reduction in the number and severity of workers' compensation claims. This also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

In June 2002, the City became self-insured for its employees' health insurance. An internal service fund was established to account for payment of health insurance claims for participants. During Fiscal Year 2005, the City ceased the self-insurance program and again contracted out the health insurance due to favorable rates available at that time.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited *ad valorem* taxes upon a two-thirds majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution that reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds to four-sevenths at elections on the general municipal election days or the state primary or general election days. Since the City Charter presently requires a two-thirds vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements to those authorized by the State constitutional amendment. A proposed Charter amendment was submitted to City voters in August and November 1988 and at each election the proposal received more than a majority of the votes cast, but less than the required 60%. The Missouri Constitution

provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City also is authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and the Lambert Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

The City is authorized by statute to issue TIF obligations for development projects. In July 1991, the City issued \$15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. TIF obligations are secured by incremental tax revenues generated from the property and other taxes generated by improvements to the project area. TIF obligations also may be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the incremental revenues equaled at least 150% of the annual debt service payments on the bonds for five consecutive years. The outstanding balance as of April 30, 2009 is \$3,210,000. During Fiscal Year 2009, the General Revenue covered a debt service shortfall of \$718,042.

Likewise, in January 2007, the City issued its Taxable Tax Increment Revenue Notes (600 Washington Redevelopment Project 1 - One City Centre Component) Series 2007 in the amount of \$16,961,000. The City has agreed that the appropriate officer of the City shall include in each budget proposal submitted to the Board of Aldermen for each fiscal year that such TIF Notes are outstanding a request for an appropriation of a sum equal to (a) certain moneys on deposit in the Special Allocation Fund (Payments in Lieu of Taxes, Economic Activity Tax Revenues), (b) municipal revenues; and (c) City revenues which constitute other legally available funds of the City in an amount equal to pay the principal of and interest on such TIF Notes. The obligation of the City of St. Louis to appropriate funds for deposit in the City Revenue Fund is not limited to incremental receipts generated by the Washington Redevelopment Project 1, and constitutes a moral obligation to appropriate from any other legally available funds of the City.

Tax Increment Financing Projects

The City has entered into several TIF projects in addition to those describe above. To the extent that the City has issued or will issue TIF revenue bonds to finance the projects, with the exceptions provided below and excepting the potential posed by the St. Louis Market Place and the Washington Redevelopment Project 1 - One City Centre Component discussed above and those discussed below, such bonds will be paid from taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund. Although numerous TIF areas have been approved by the City, to date, TIF revenue bonds or notes have been issued for only 52 projects. TIF revenues were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately \$3 million. Also, TIF will supplement the revenues available to pay the portion of the Series 2006 Bonds issued to fund the Euclid-Buckingham garage that cost approximately \$4.5 million.

Four projects were financed with TIF Revenue Bonds issued by the Authority, namely, Edison Brothers TIF, for \$5.6 million issued on January 29, 2000, MLK Development TIF for \$2.3 million issued on March 18, 2002, Southtown TIF for \$6.4 million issued on September 14, 2006, and Loughborough TIF for \$18.43 million issued on November 26, 2007. As of May 31, 2009, the outstanding balances on the Authority TIF Revenue Bonds were \$4,078,000 for Edison Brothers, \$2,415,000 for MLK Development, \$5,435,000 for Southtown and \$18,275,000 for Loughborough.

In addition, two TIF projects were financed “pay as you go,” namely, Lafayette Square, estimated at \$2.0 million and approved on December 26, 2001, and Post Office Square, estimated at \$6.7 million and approved on July 23, 2002.

In December of 2000, the City provided certain financial assistance in connection with the development and construction of a new 165-room all-suites hotel (the “Suites”) and a new 918-room convention headquarters hotel (the “Hotel” and, together with the Suites, the “Convention Hotel”) located in downtown St. Louis. The Convention Hotel is located in two buildings, one adjacent to and the other across the street from America’s Center. The total cost of developing and constructing the Convention Hotel was approximately \$266 million. The City contributed approximately \$50 million. The City’s contribution was funded by a Section 108 loan from the Department of Housing and Urban Development, Community Development Block Grant Funds and certain moneys realized by the City from a refinancing of the America’s Center. The City is using contractual PILOTS payable by the owner of the Convention Hotel to repay the Section 108 loan. The Suites opened in 2002 and the Hotel opened in 2003.

The Convention Hotel was financed through the issuance of industrial development bonds issued by the Authority. These bonds are special, limited obligations of the Authority and the City is not liable on the bonds. A shortfall in the funds available to pay interest on the Senior Lien Revenue Bonds (St. Louis Convention Center Headquarters Hotel Project) Series 2000A (the “Hotel Bonds”), issued by the Authority led to a sale of the Convention Hotel in foreclosure in February, 2009. The Convention Hotel, which is located on the south side of Washington Avenue directly opposite the Convention Center, was developed by Historic Restoration, Inc. (“HRI”) and operated by Marriott Corp. HRI is a privately-owned developer entirely separate from and independent of the Corporation and the City. The Convention Hotel was purchased at the sale by UMB Bank, N.A., the trustee for the holders of the Hotel Bonds, and will continue to be operated by Marriott Corp. Such owner has entered into an agreement with Jones Lang LaSalle Americas, Inc. to explore the sale of the Suites. The exclusive listing agreement will run for a period of approximately eleven (11) months. Jones Lang LaSalle Americas, Inc. is a company affiliated with Jones Lang LaSalle Hotels, the firm previously engaged to evaluate and make recommendations with regard to various aspects of operations of the Convention Hotel. Revenues generated by the Convention Hotel have failed to meet expectations since the downturn in convention business following the 2001 terrorist attacks. The current uncertainty in the economy may also have a negative affect on convention business.

The remaining TIF projects are financed with developer-held TIF revenue notes or third-party notes. All such TIF revenue notes are special, limited obligations of the City payable solely from and secured by available TIF revenues. The general revenues of the City are not pledged to the payment of such TIF revenue notes which do not constitute a general obligation of the City.

<u>Project</u>	<u>Estimated TIF Costs</u>	<u>TIF Note</u>	<u>TIF Notes Outstanding as of May 31, 2009</u>	<u>Issuance Date</u>
Cupples	\$52,200,000	\$ 3,745,000	\$ 1,100,000	10/20/03
Chouteau/Compton	3,600,000	3,600,000	2,531,793	02/28/01
100 North Condominium LLC	400,000	400,000	153,979	07/01/01
Center for Emerging Technology	1,493,000	978,000	528,000	03/27/01
3800 Park	390,000	390,000	382,703	02/26/04
Gravois Plaza	4,049,000	4,049,000	4,049,000	04/01/02
Tech Electronics	900,000	900,000	900,000	01/31/03
1505 Missouri	621,100	659,540	654,540	03/21/06
Grand Center	80,000,000	12,455,000	12,106,000	11/30/06
Walter Knoll Florist	1,036,000	1,036,000	979,760	01/01/05
Louderman Building	2,440,400	2,444,400	2,263,103	07/18/06
920 Olive	2,667,732	2,667,732	2,667,732	09/13/04
Paul Brown	3,264,200	3,264,200	3,264,200	01/31/06
1141-1151 S. Seventh St.	1,136,800	1,131,600	1,075,600	12/16/05
Terra Cotta	3,520,000	3,520,000	3,505,000	12/09/05
Southtown	2,333,998	2,333,998	2,333,998	11/09/06
Soulard Market Apartments	4,800,000	2,760,533	2,760,533	10/07/04
Printer Lofts	3,880,000	4,410,000	4,410,000	05/23/06
City Hospital	5,000,000	2,935,000	2,718,000	03/21/07
1601 Washington	3,000,000	3,365,000	3,313,000	11/29/06
1619 Washington	1,583,379	1,930,000	1,879,000	01/05/06
Highlands at Forest Park	2,400,000	2,412,000	2,379,000	03/05/07
Maryland Plaza South	5,367,052	4,133,176	4,133,176	11/21/05
Gaslight Square East	1,500,000	1,770,000	1,632,000	11/01/06
2300 Locust	1,800,000	1,800,000	1,503,088	03/31/06
410 N. Jefferson	1,525,000	1,735,000	1,664,000	06/28/07
Washington East Condominiums	7,300,000	7,997,521	7,860,521	06/26/07
Moon Brothers Carriage Lofts	1,300,000	1,490,000	1,481,000	03/25/07
Grace Lofts	1,550,000	1,715,725	1,586,725	05/24/07
4200 Laclede	900,000	925,400	830,400	04/17/08
Fashion Square	3,700,000	4,105,000	3,844,000	02/07/08
Security Bldg	3,000,000	3,345,000	3,045,000	11/27/07
Marquette Bldg	3,600,000	4,500,000	4,311,000	06/11/08
1136 Washington	3,650,000	3,525,000	3,370,000	03/12/08
Pet Building	3,000,000	3,162,500	3,008,500	07/19/07
1312 Washington	400,000	419,000	400,000	02/27/09
Catlin Townhomes	422,000	432,000	393,000	02/19/09
Shenandoah Place	231,540	254,700	218,699	11/04/08
1300 Convention Plaza	925,000	941,525	899,000	08/05/08
East Bank	1,414,000	1,456,825	1,456,825	09/30/08
Ely Walker	6,000,000	6,017,600	5,590,000	02/27/09
Bee Hat Lofts	1,350,000	1,407,329	1,313,000	11/19/08
Ludwig Lofts	850,000	1,080,000	1,080,000	07/29/08
Grand/Cozen/Evans	1,060,000	1,650,000	1,645,000	08/28/08
Warehouse of Fixtures	6,100,000	6,348,500	5,785,000	02/01/09

Source: City Comptroller's Office.

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes (“TRANs”) during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2005. TRANs have been issued annually since 1984 to bridge timing gaps in revenue collections.

<u>Fiscal Year</u>	<u>TRANs Issued During Fiscal Year</u>	<u>As a Percent of General Fund Revenues¹</u>
2005	\$47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35%
2009	50,000,000	10.85% ²

¹ The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

² Based on estimated General Fund Revenues.

Source: City Comptroller’s Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than TIF obligations, issued by the City that are outstanding as of July 31, 2009:

<u>Bonds</u>	<u>Amount Outstanding</u>
General Obligation Bonds	\$ 49,790,000
Water Revenue Bonds	19,585,000
Parking Revenue Bonds	78,854,000
Airport Revenue Bonds	<u>905,405,000</u>
Total	<u>\$1,053,634,000</u>

Source: City Comptroller’s Office.

Capital Leases

The City has outstanding a number of lease purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below.

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<u>Description</u>	<u>Amount Outstanding May 31, 2009</u>	<u>Remaining Term in Years</u>	<u>Issue Date</u>
Convention Center Bonds, Series 1993A	\$ 2,567,205	6	June 1993
Justice Center Bonds, Series 1996B	10,835,000	6	Aug. 1996
Justice Center Leasehold Improvement Bonds, Series 2000A	1,015,000	1	Feb. 2000
Convention Center Hotel Compound Leasehold Revenue Bonds, Series 2000	39,999,579	11	July 2000
Justice Center Leasehold Revenue Bonds, Series 2001	58,195,000	10	Sept. 2001
Convention Center Leasehold Refunding Bonds, Series 2003	55,130,000	5	Mar 2003
Civil Courts Revenue Refunding Bonds, Series 2003A	12,345,000	5	May 2003
Forest Park Revenue Improvement Bonds, Series 2004	13,400,000	13	Dec. 2004
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	23	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	14,995,000	11	Aug. 2005
Rolling Stock	13,130,953	9	Sept. 2006
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	18	Oct. 2006
Convention and Sports Facility Project and Refunding Bonds, Series 2007 (includes Preservation Payments)	57,516,864	13	May 2007
Abram Building Leasehold Revenue Bonds, Series 2007	3,316,379	9	June 2007
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007	49,425,000	28	July 2007
Taxable Leasehold Revenue Bonds, Series 2007 (Pension Funding Project)	140,030,000	28	Sept. 2007
Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007	23,625,000	28	Dec. 2007
Taxable Public Safety Sales Tax Leasehold Revenue Bonds (Pension Funding Project) Series, 2008A	18,170,000	10	June 2008
Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series, 2008B	25,080,000	29	June 2008
Lease Certificates of Participation, Series 2008	8,530,000	12	Sept. 2008
Convention Center Capital Improvement Projects Series 2008	21,850,000	29	Nov. 2008
Convention Center Capital Improvement Projects Series 2009A	7,761,922	30	May 2009
Infrastructure & Convention Center Capital Improvement Projects, Series 2009B	<u>23,255,000</u>	<u>30</u>	<u>May 2009</u>
Total	\$668,895,794		

Source: City Comptroller's Office.

Other Long-Term Debt Obligations

The City also has Missouri Transportation Finance Corporation (MTFC) and Missouri Department of Natural Resources (MDNR) loans that are repaid from the City Capital Fund.

<u>Description</u>	<u>Amount Outstanding May 31, 2009</u>	<u>Remaining Term in Years</u>
MDNR Energy Efficiency Program	\$ 478,392	4
MTFC Multimodal Direct Loan	<u>4,182,111</u>	9
Total	<u>\$4,660,503</u>	

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of July 31, 2009, is set forth below.

	<u>General Obligation Bonds Outstanding</u>	<u>Percent Applicable to St. Louis</u>	<u>City's Direct and Overlapping Debt</u>
The City of St. Louis, Missouri	\$ 49,790,000	100.00%	\$ 49,790,000
Board of Education of the City of St. Louis	<u>245,665,724</u>	100.00%	<u>245,665,724</u>
Total	<u>\$295,455,724</u>		<u>\$295,455,724</u>

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of July 31, 2009. These figures do not include lease agreements.

	<u>Amount</u>	<u>Per Capita¹</u>	<u>Ratio to Assessed Value</u>
Total Direct Debt	\$ 49,790,000	\$143.00	1.13%
Total Direct and Overlapping Debt	\$295,455,724	\$848.55	6.73%

¹ Based on Population from U.S. Census, 2000 (348,189).
Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of July 31, 2009.

	City Purposes <u>Basic Limit</u>	Streets and Sewers <u>Additional Limit</u>
2008 Assessed Value	\$4,683,154,372	\$4,683,154,372
Debt limit - 10% of assessed value	468,315,437	<u>468,315,437</u>
Less: General Obligation Bonds	<u>49,790,000</u>	
Legal Debt Margin	<u>\$ 418,525,437</u>	<u>\$ 468,315,437</u>

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 5,300 persons who are paid from the City's General Revenue Fund, approximately 1,900 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Police Board; provided that they remain within the limit established by the Hancock Amendment. All public employees have "meet and confer" rights, which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. No City employee has the right to strike. The City considers its employee relations to be good.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

The Firemen's Retirement System and the Police Retirement System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005, 2006 and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the both the Firemen's and Police Retirement Systems, as well as the Employees' Retirement System. During fiscal year 2008, Pension Funding Leasehold Revenue Bonds Series 2007 and Pension Funding Series 2008A were issued funding the Retirement Systems in the amounts of \$125,691,000 and \$18,800,000, respectively. An additional \$14,222,000 was paid in July 2008 to fund past requirements of the Employees Retirement System.

Additional contributions from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2008, totaled \$17,674,022 pension fund assets and are a statutory obligation of the City.

<u>Benefits</u>	<u>Actuarial Valuation Date</u>	<u>(In Thousands)</u>		
		<u>Actuarial Value of System Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>
Employee's Retirement System	October 1, 2008	\$674,017	\$765,842	\$91,825
Police Retirement System	October 1, 2008	752,273	803,417	51,144
Firemen's Retirement System	October 1, 2008	485,139	523,036	37,897

Source: City Comptroller's Office.

The City has created a "Pension Task Force" to review issues, including future benefit levels and funding sources, including one or more possible bond issues, associated with the three retirement plans described above. A copy of the Pension Task Force's preliminary report is available from the City for review.

OTHER POST EMPLOYMENT BENEFITS

GASB Statement No. 45

The Governmental Accounting Standards Board ("GASB") in 2006 issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other than Pension Plans ("OPEB"). This statement establishes uniform financial reporting standards for OPEB expenses and related liabilities in the comprehensive annual financial reports of governmental entities. The value of the obligation to provide retiree benefits must be actuarially calculated and accrued, and reported as a financial obligation of the employer OPEB cost. The main thrust of GASB Statement No. 45 is to require that public sector employers recognize the cost of OPEB over the active service life of their employees rather than on a pay-as-you-go basis. A review by an actuary determined there were no further OPEB obligations to be calculated and reported under GASB Statement No. 45 for the fiscal year ended June 30, 2008 for the Primary Government.

The Metropolitan Police Department of the City of St. Louis, Missouri

The SLPD is a discretely presented component unit of the City. SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding. Accordingly, the City's general fund budget includes appropriations for the police department.

In order to meet GASB No. 45 requirements, the SLPD hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability of the City as it relates to the SLPD for the Fiscal Year ending June 30, 2008. The information produced by the actuary was included in the SLPD's financial statements for the Fiscal Year ending June 30, 2008. Complete financial statements may be obtained directly from the SLPD.

Under Section 84.160 of the Revised Statutes of Missouri, the Police Board is required to provide post-retirement healthcare and life insurance benefits for former civilian and commissioned employees who retire subsequent to 1969. For the fiscal year ended June 30, 2008, the City, on behalf of the SLPD,

provided healthcare insurance for approximately 1,343 retirees, while approximately 1,438 are provided life insurance benefits. These costs are accounted for on a pay-as-you-go basis. The annual cost to the City of providing these benefits to retirees averages \$4,475 per retiree for healthcare and \$11.00 per retiree for life insurance. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues and expects to continue to do so.

The following is a five-year history of the City's annual costs as well as a budgeted cost estimate for the Fiscal Year ending June 30, 2010.

<u>Fiscal Year Ending</u>	<u>City Cost</u>
2010 estimate	\$8,983,519
2009	7,903,645
2008	6,025,308
2007	5,605,911
2006	5,514,778
2005	6,470,532

In order to meet GASB No. 45 requirements, the SLPD hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability of the City as it relates to the SLPD for the Fiscal Year ending June 30, 2008. The City also hired an actuary to determine any possible liability. The City did not have any such liability. The information produced by the actuaries was included in the City's CAFR for the Fiscal Year ending June 30, 2008. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues and expects to continue to do so.

LITIGATION

The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. The following is a summary of lawsuits in which the City is a defendant that may be material, if the outcome of the lawsuit is adverse to the City.

Zoological Subdistrict, etc. v. Employees Retirement System

Description: Suit filed by Zoo Subdistrict, originally only against Board of Trustees of City Employees Retirement System (ERS), for declaratory judgment and breach of fiduciary duty. The Zoo Subdistrict participates as an employer in ERS. Suit claims that when ERS sent its annual certifications to various employers who participate in ERS for the percentage of payroll to be contributed for the next fiscal year, for several years the City failed to make the full amount of contributions certified. As a result, the suit alleges, because of the shortfall in the City's payments, the actuarial certification for all participants in the ERS increased in each subsequent year. Essentially, the suit alleges that the burden of contribution has been disproportionately placed on the Zoo Subdistrict.

Recent Developments: ERS filed an Answer and Counterclaim. ERS, through its attorneys, advised the Zoo Subdistrict that other employers who participate in ERS should have been made additional parties to the suit because they will be affected by it. The Zoo Subdistrict has sent correspondence to those other employers inquiring whether they would object to being joined as parties to the litigation. The Zoo Subdistrict has added the City as a defendant as an affected party for purposes of declaratory judgment, but not alleged any theory of liability against it. The St. Louis Public Library recently joined as a plaintiff in the case.

APPENDIX B

**GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE CITY OF ST. LOUIS, MISSOURI
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE

KPMG LLP, THE CITY'S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT. KPMG LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

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KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditor's Report

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2008, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, St. Louis Development Corporation and Forest Park Forever, Inc. The assets and additions/revenues of the pension trust funds represent 92% and 72% of the assets and additions/revenues, respectively of the aggregate remaining fund information. The assets and revenues of the St. Louis Development Corporation and Forest Park Forever, Inc. represent 62% and 12% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation and Forest Park Forever, Inc. were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts includes for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds and Forest Park Forever, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Louis, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Effective July 1, 2007, the City of St. Louis, Missouri implemented Governmental Accounting Standards Board Statements No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and No. 50, *Pension Disclosures*. Effective July 1, 2007, the Metropolitan Police Department of the City of St. Louis, Missouri implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 19, the Budgetary Comparison Information on pages 149 through 154, and the Retirement Systems and Other Postemployment Benefit Plan Information on pages 155 through 156 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri
December 31, 2008

<p style="text-align: center;">CITY OF ST. LOUIS MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008</p>
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As management of City of St. Louis, Missouri (the City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the City for the fiscal year ended June 30, 2008. The information presented here should be read in conjunction with our letter of transmittal and the City's financial statements including footnotes.

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

- On a government-wide basis the City's total assets exceeded its liabilities for the current fiscal year by \$1.4 billion.
- Governmental activities and business-type activities had net assets of \$213.8 million and \$1.2 billion, respectively.
- The cost of services for the City's governmental activities was \$689.3 million in fiscal year 2008 (excluding interest and fiscal charges).
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$279 million. Of this amount, \$66.8 million is unreserved fund balance.
- The unreserved fund balance for the general fund was \$33.7 million or 5.8% of total general fund expenditures.
- In fiscal year 2008, the City issued \$324.9 million in long-term debt to finance projects and refund debt. There was a net increase of \$157.1 million or 9.8% in bond debt during the current fiscal year.
- Net pension obligations/assets changed by \$124.7 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.
- Tax increment financing (TIF) debt increased liabilities in the amount of \$22.7 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net assets by an equal amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using accounting methods similar to those used by private sector business.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities).

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking division.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, a legally separate corporation that owns and leases the downtown steam loop, and a not-for-profit corporation whose primary purpose is to promote and rebuild a major park owned by the City. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, and St. Louis Parking Commission Finance Corporation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

1. *Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and grants fund, which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:

- *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.
- *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.

3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets that can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis, the Police Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds and other post-employment benefits of the Police Department.

Combining Statements

The combining statements provide fund level detail for all non-major governmental funds, internal service funds, pension trust funds, and agency funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets for fiscal years 2008 and 2007 were \$1.4 billion and \$1.5 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets Summary
June 30, 2008 and 2007
(dollars in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 508.2	372.2	385.1	369.7	893.3	741.9
Capital assets	780.6	774.9	1,873.7	1,906.0	2,654.3	2,680.9
Total assets	<u>1,288.8</u>	<u>1,147.1</u>	<u>2,258.8</u>	<u>2,275.7</u>	<u>3,547.6</u>	<u>3,422.8</u>
Liabilities:						
Long-term debt outstanding	950.4	801.3	967.9	984.9	1,918.3	1,786.2
Other liabilities	124.6	84.7	66.9	50.8	191.5	135.5
Total liabilities	<u>1,075.0</u>	<u>886.0</u>	<u>1,034.8</u>	<u>1,035.7</u>	<u>2,109.8</u>	<u>1,921.7</u>
Net assets:						
Invested in capital assets						
net of related debt	355.7	410.4	1,058.0	1,072.9	1,413.7	1,483.3
Restricted	217.4	103.9	142.7	136.1	360.1	240.0
Unrestricted	(359.3)	(253.2)	23.3	31.0	(336.0)	(222.2)
Total net assets	<u>\$ 213.8</u>	<u>261.1</u>	<u>1,224.0</u>	<u>1,240.0</u>	<u>1,437.8</u>	<u>1,501.1</u>

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.4 billion in the current year and \$1.5 billion in the previous year.

Of the largest portion of the City's net assets totaling \$1.4 billion, 98.3% reflects its investments of capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal year 2008 and fiscal 2007, respectively, is \$360.1 million and \$240.0 million, which represent resources that are subject to external restrictions on how they may used.

Total unrestricted net assets decreased by \$113.8 million for the year ended June 30, 2008. Consequently, unrestricted governmental activities net assets showed a \$359.3 million deficit at the end of 2008 as compared with a \$253.2 million deficit in 2007. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, three particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$56 million
- Joint venture financing agreement for the expansion of the convention center, \$61 million
- Tax increment financing debt for economic development projects in the amount of \$137 million

Also, other financial activity effecting unrestricted governmental net assets in which no capital asset is associated with the debt issued is:

- Pension funding projects (Leasehold revenue bonds) \$159.5 million

Although the net assets of the business-type activities account for 85.1% of overall net assets, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Airport, Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2008 and 2007
(dollars in millions)

	Governmental		Business-type		Total	
	Activites		Activites			
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 110.1	117.1	225.0	213.6	335.1	330.7
Operating grants and contributions	72.9	76.0	4.3	2.7	77.2	78.7
Capital grants and contributions	14.3	14.2	28.1	44.6	42.4	58.8
General revenues:					0.0	0.0
Taxes	473.7	447.6	—	—	473.7	447.6
Investment income	12.2	12.1	10.7	12.5	22.9	24.6
Total revenue	<u>683.2</u>	<u>667.0</u>	<u>268.1</u>	<u>273.4</u>	<u>951.3</u>	<u>940.4</u>
Expenses:						
General Government	74.2	91.8	—	—	74.2	91.8
Convention and tourism	4.4	4.4	—	—	4.4	4.4
Parks and recreation	31.3	28.1	—	—	31.3	28.1
Judicial	50.7	47.0	—	—	50.7	47.0
Streets	62.5	58.6	—	—	62.5	58.6
Public Safety:			—	—	0.0	0.0
Fire	69.7	56.5	—	—	69.7	56.5
Police -- Payment to the Police	143.5	138.9	—	—	143.5	138.9
Police Pension	12.9		—	—	12.9	
Other	63.7	60.0	—	—	63.7	60.0
Health and welfare	45.7	45.6	—	—	45.7	45.6
Public service	70.0	73.1	—	—	70.0	73.1
Community development	60.6	78.8	—	—	60.6	78.8
Interest on long-term debt	50.0	36.0	—	—	50.0	36.0
Airport	—	—	215.7	178.1	215.7	178.1
Water division	—	—	45.1	42.3	45.1	42.3
Parking division	—	—	14.6	12.4	14.6	12.4
Total expenses	<u>739.2</u>	<u>718.8</u>	<u>275.4</u>	<u>232.8</u>	<u>1,014.6</u>	<u>951.6</u>
Increase (decrease) in net assets						
before gain and transfers	(56.0)	(51.8)	(7.3)	40.6	(63.3)	(11.2)
Gain/loss on sale of capital assets	0.0	(0.3)	0.0	(78.1)	0.0	(78.4)
Transfers	8.7	7.9	(8.7)	(7.9)	0.0	0.0
Increase(decrease) in net assets	<u>(47.3)</u>	<u>(44.2)</u>	<u>(16.0)</u>	<u>(45.4)</u>	<u>(63.3)</u>	<u>(89.6)</u>
Net assets-beginning	261.1	305.3	1,240.0	1,285.4	1,501.1	1,590.7
Net assets-ending	<u>\$ 213.8</u>	<u>261.1</u>	<u>1,224.0</u>	<u>1,240.0</u>	<u>1,437.8</u>	<u>1,501.1</u>

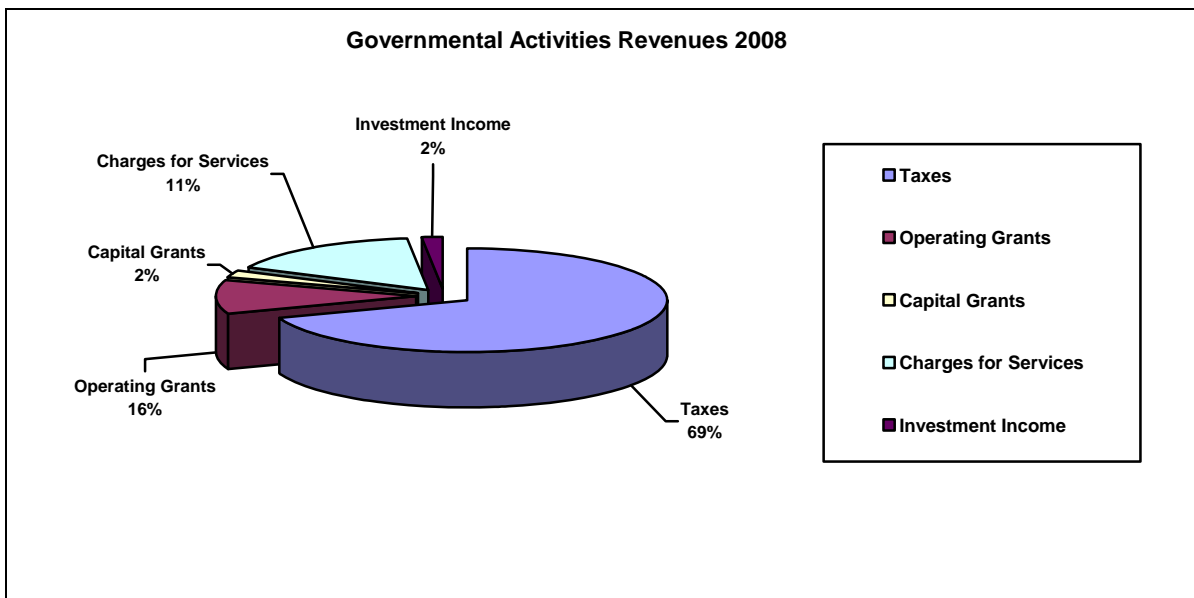
Changes in net assets. The City's total revenue on a government-wide basis was \$951.3 million, an increase of \$10.9 million over the previous year. Taxes represent 49.8% of the City's revenue as compared with 47.6% last year. Additionally, 35.2% comes from fees charged for services, the same as the previous year's. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was \$1,014.6 million, an increase from \$951.6 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

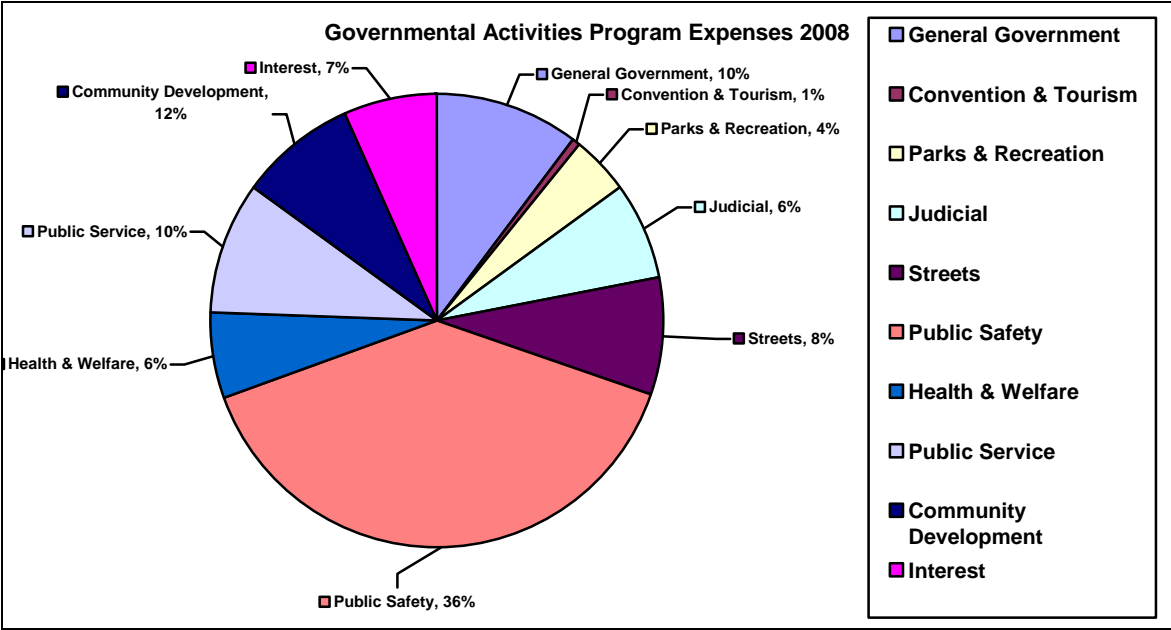
Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by \$47.3 million or 18.1%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by \$16.2 million or 2.4%, while total expenses increased by \$20.4 million or 2.8%.

Although assessed values for real property have been increasing, the Missouri Constitution requires a rollback of tax rates to prevent a tax revenue windfall to municipal governments.

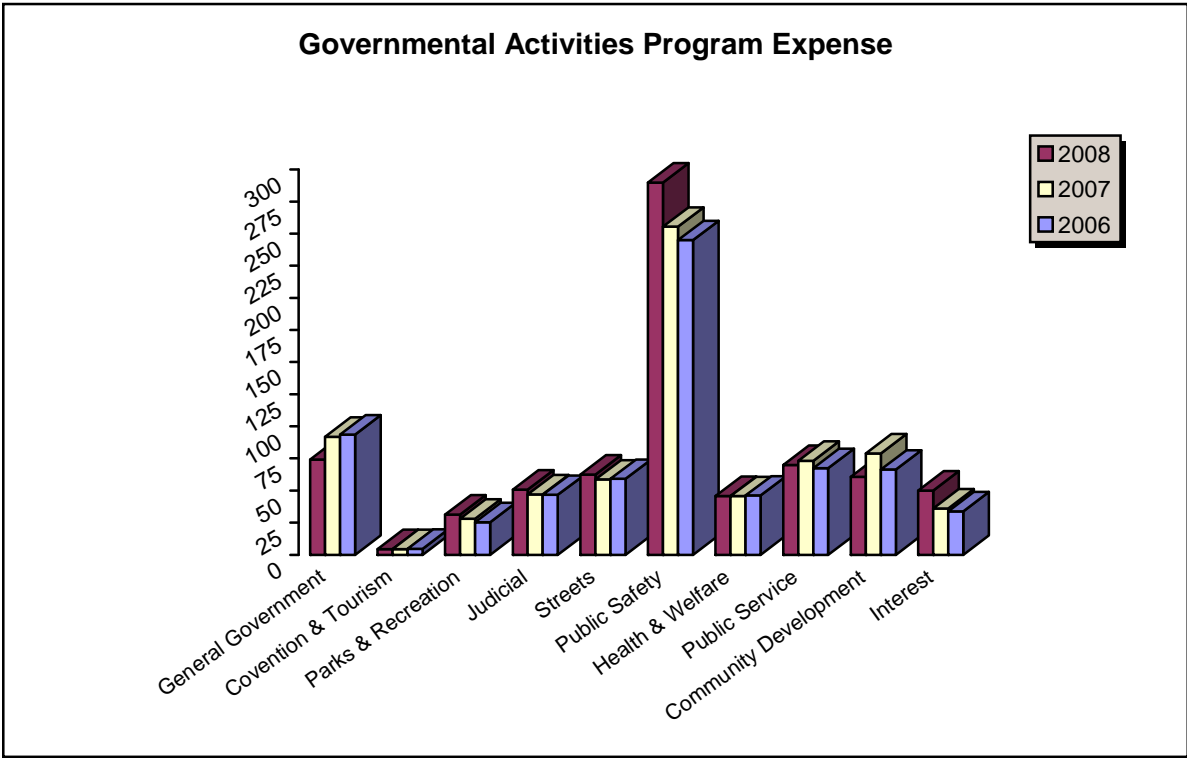
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2008.



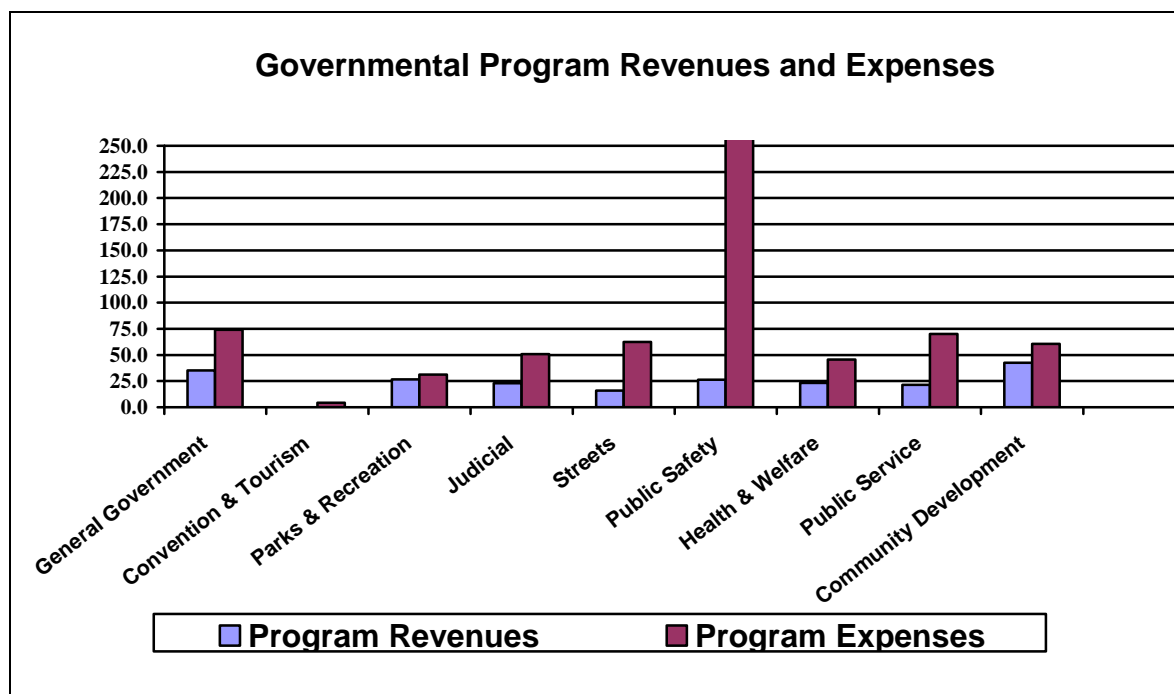
The following chart illustrates the City’s governmental activities expenses by program. Total cost of governmental activities was \$739.2 million, an increase of \$20.4 million or 2.8% over the prior year. As shown, public safety is the largest function in expense (39.2%). The majority of the spending was the result of funding the Police Department \$143.5 million and the Fire Department \$69.7 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2008, 2007, and 2006.



The following chart depicts the total expenses and total program revenues of the City's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees, intergovernmental revenue, or general revenues.



The City of St. Louis, Missouri
Governmental Activities
(dollars in millions)

	Total Cost of Services		Net Costs of Services	
	2008	2007	2008	2007
General Government	\$ 74.2	91.8	39.0	51.7
Convention and tourism	4.5	4.4	4.4	4.3
Parks and recreation	31.3	28.1	28.7	18.9
Judicial	50.7	47.0	27.8	29.9
Streets	62.5	58.6	46.6	41.3
Public Safety:				
Fire	69.7	56.5	63.0	49.0
Police--Payment to Police	143.5	138.9	143.5	138.9
Police pension	12.9	0.0	12.9	0.0
Other	63.7	60.0	43.9	35.6
Health and welfare	45.7	45.6	22.5	24.5
Public service	70.0	73.1	41.5	44.5
Community development	60.6	78.8	18.1	36.8
Totals	\$ 689.3	682.8	491.9	475.4

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was \$689.3 million compared with \$682.8 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$491.9 million. The difference of \$197.3 million comprises charges for services (\$110.1 million), operating grants and contributions (\$72.9 million), and capital grants and contributions (\$14.3 million).

Business-Type activities. Business-type activities reflect a decrease in net assets of \$16.0 million or 1.3%. The reduction in net assets is due primarily to the loss on sale of capital assets at the Airport.

Lambert – St. Louis International Airport. The net assets of the Airport decreased by \$17.3 million or 1.6%. The operating loss was \$6.4 million this year versus an operating loss of \$9.5 million in 2007. Total operating revenues for 2008 was \$134.6 million. Of this amount, major sources of operating revenue included aviation revenue (66.3%), concession revenue (17.9%), parking (13.5%), and lease revenue (2.3%). A significant non-operating revenue is passenger facility charges which accounts for \$28.8 million.

At June 30, 2008, the capital assets balance was \$1,647.7 million. This amount includes buildings and structures with \$182.0 million, pavings with \$663.6 million, and equipment with \$22.3 million, all net of accumulated depreciation. Land is \$750.5 million and construction in progress is \$29.3 million.

At June 30, 2008, the Airport had bonded debt of \$818.8 million.

Water Division. The net assets of the Water Division decreased by \$1 million or 0.7%. Operating income was \$1.2 million this year versus an operating income of \$2.8 million in 2007. Total operating revenues for 2008 was \$45.0 million. Of this amount, major sources of operating revenue included metered revenue (43.9%) and flat rate revenue (40.7%).

At June 30, 2008, the capital assets balance was \$155.8 million. This amount includes buildings and structures (net of accumulated depreciation) with \$19.1 million, reservoirs and water mains with \$90.3 million, equipment with \$42.3 million, land with \$1.2 million, and construction-in-progress with \$2.9 million.

At June 30, 2008, the Water Division had bonded debt of \$26.3 million.

Parking Division. The net assets of the Parking Division increased by \$2.4 million or 10.1%. Operating income was \$3.6 million this year versus an operating income of \$4.2 million in 2007. Total operating revenues for 2008 was \$14.5 million. Of this amount, major sources of operating revenue included parking meter revenue (22.0%), parking violations notices revenue (29.3%), and parking facilities revenue (45.7%).

At June 30, 2008, the capital assets balance was \$70.2 million. This amount includes buildings and parking garages (net of accumulated depreciation) \$40.7 million, parking meters and lot equipment \$2.9 million, land \$21.3 million and construction-in-progress \$5.3 million.

At June 30, 2008, the Parking Division had bonded debt of \$80.4 million.

The City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 20, 2008
(dollars in millions)

	<u>2008</u>	<u>2007</u>	<u>2008 vs. 2007</u> <u>\$ Change</u>	<u>2008 vs. 2007</u> <u>% Change</u>
Total Assets	\$ 464.9	383.4	81.5	21.3%
Total Liabilities	185.9	163.1	22.8	14.0%
Fund Balances:				
Reserved:	212.2	97.5	114.7	117.6%
Unreserved:				
General fund	33.7	53.6	(19.9)	-37.1%
Special revenue	42.3	56.5	(14.2)	-25.1%
Capital projects	(9.2)	12.7	(21.9)	-172.4%
Total fund balances	279.0	220.3	58.7	26.6%
 Total liabilities and fund balance	 \$ 464.9	 383.4	 81.5	 21.3%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$33.7 million, while the total general fund balance was \$54.9 million. As of June 30, 2007, the balances were \$53.6 million and \$74.7 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of \$33.7 million represents 5.7% of total general fund expenditures and transfers out of \$594.4 million, while total general fund balance of \$54.9 million represents 9.2% of total general fund expenditures and transfers out. This compares with 12.6% and 17.5%, respectively, in fiscal year 2007.

The total fund balance in the City's general fund decreased by \$19.9 million or 26.6% in the current fiscal year. The City's general fund decreased by \$5.6 million or 7.0% in the prior fiscal year. Key factors in the decrease of the general fund balance are primarily due to pension contribution and debt service expenses.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of \$9.3 million and a total positive fund balance of \$137.9 million, as compared with a positive unreserved fund balance of \$12.7 million and a total positive fund balance of \$68.4 million in fiscal year 2007. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received \$72.9 million in intergovernmental revenues that funded community development in the amount of \$36.5 million, or 50.0%, and health and welfare in the amount of \$22.2 million, or 30.5%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Airport was \$20.8 million, the Water Division a negative amount of \$1.1 million, and the Parking Division was \$4.7 million, as compared with \$23.1 million, \$2.5 million, and \$6.6 million, respectively in 2007. The total decrease in net assets for the enterprise funds was \$16.0 million in the current year and decrease of \$45.5 million the previous year.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled \$2.0 billion an increase of \$315.0 million from the previous year. The net increase is primarily due to the increase in market value of the pension funds' investment and added contributions.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$53.3 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

The final budget for the City's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. The general fund budget includes appropriations for the police department that is a component unit of the city. This discussion presents the budget information on the budgetary basis as the Board of Alderman approves the budget.

In the fiscal year, \$6.1 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget totaled \$435.8 million. Actual results for the fiscal year had revenues and transfers in falling short of original estimates by \$.4 million, totaling \$435.4 million.

Actual expenditures and transfers out totaled \$437.8 million. This includes expenditures of \$4.7 million from prior year encumbrances and commitments. The encumbrances and commitments carried over into the next fiscal year in regard to the fiscal year 2008 budget total \$3.2 million. A transfer out of \$1.5 million was made to the Capital Projects Fund per an ordinance mandating half of the prior year operating surplus must be used for capital projects and a transfer out to a 27th Pay Reserve. The General Fund ended the fiscal year with a budget basis deficit of \$.4 million. As of June 30, 2008, the unreserved fund balance of the General Fund was \$18.1 million on a cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

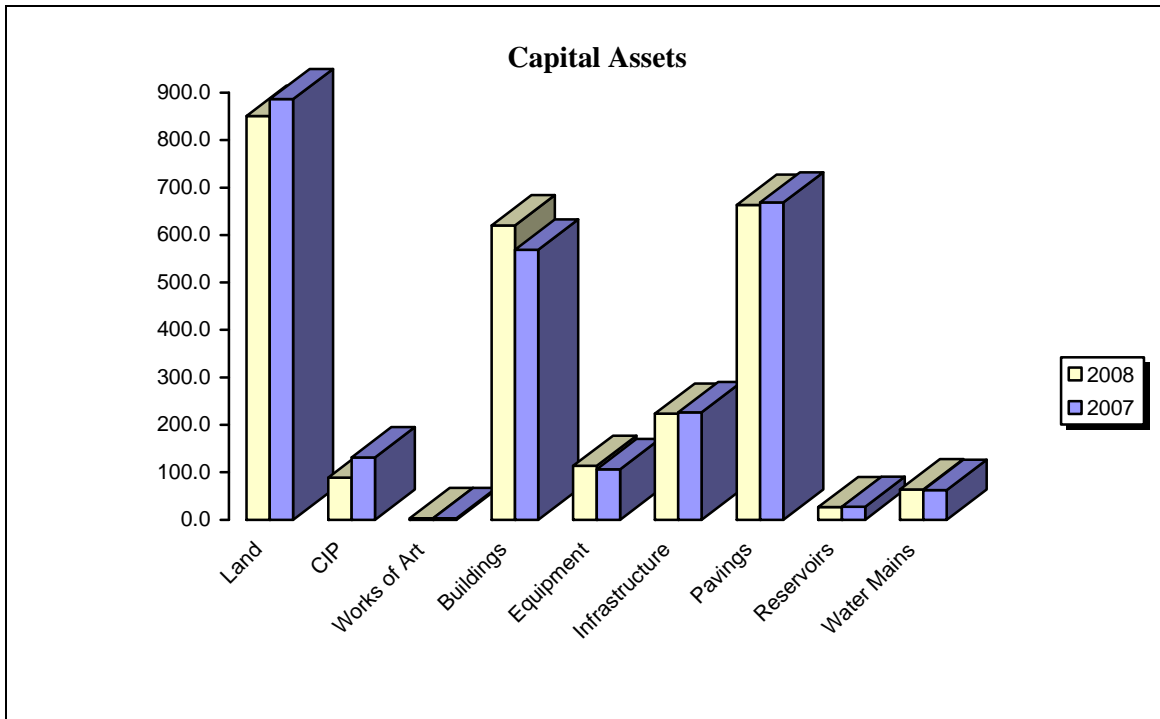
The City had invested \$2.6 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$26.7 million, or 1.0%, over last year.

The City of St. Louis, Missouri
Schedule of Changes in Capital Assets
Net of Accumulated Depreciation
(dollars in millions)

		Governmental Activities		Business-type Activities		Total	
		2008	2007	2008	2007	2008	2007
Land	\$	77.9	77.4	773.0	808.9	850.9	886.3
Construction-in-progress		51.5	54.1	37.4	77.2	88.9	131.3
Works of art		3.3	3.2			3.3	3.2
Buildings and improvements		378.5	366.4	241.9	202.6	620.4	569.0
Equipment		46.1	47.5	67.5	59.0	113.6	106.5
Infrastructure		223.3	226.4			223.3	226.4
Paving				663.6	668.4	663.6	668.4
Reservoirs				26.5	27.2	26.5	27.2
Water mains, lines, accessories				63.8	62.7	63.8	62.7
Total	\$	780.6	775.0	1,873.7	1,906.0	2,654.3	2,681.0

This year's major capital asset changes included:

- \$35.9 million decrease in Land due to disposal of surplus property in business type activities
- Additions of construction-in-progress in governmental activities of \$26.2 million due mainly due to construction of two new recreation centers. Transfers from construction-in-progress in the amount of \$26.9 were mainly due to the completion of the new transportation center increased building and improvements in governmental activities.



For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

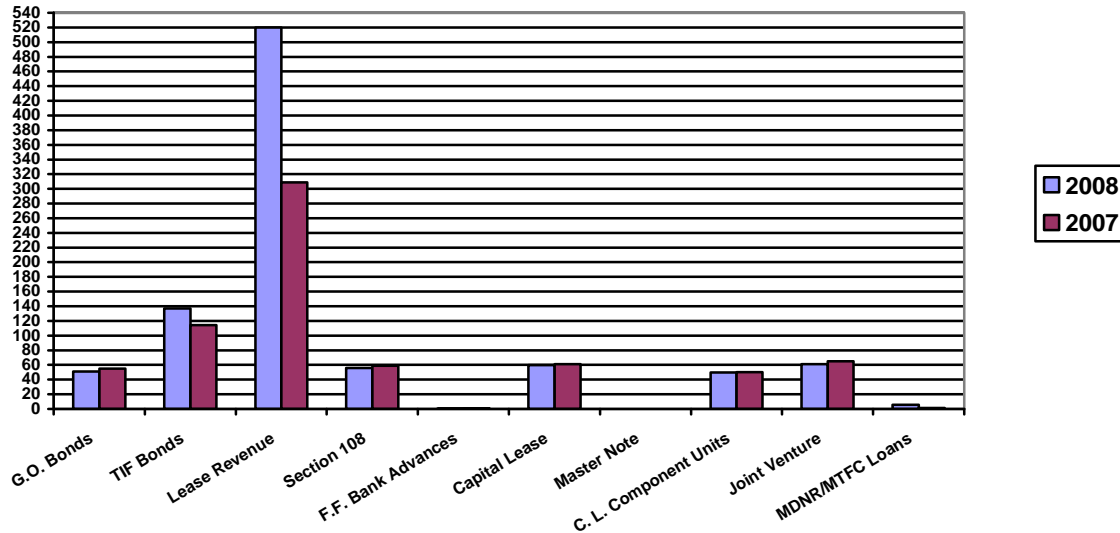
Long-Term Debt

At the end of fiscal year 2008, the City had outstanding long-term debt obligations for governmental activities in the amount of \$890.8 million compared with \$665.1 million in fiscal year 2007. Of this amount, \$50.9 million are general obligation bonds and \$137 million are tax increment financing bonds. Leasehold revenue obligations outstanding totaled \$520.1 million.

The City of St. Louis, Missouri
Outstanding Long-term Debt Obligations-Governmental Activities
(dollars in millions)

	Fiscal Year 2008	Fiscal Year 2007	\$ change	% change
General obligation bonds payable	\$ 50.9	54.8	(54.8)	-100.0%
Section 108 Loan Guarantee				
Assistance Programs	56.0	58.8	(2.8)	-4.8%
Federal Financing Bank advances	0.6	0.7	(0.1)	-14.3%
Tax increment financing bonds				
and notes payable	137.0	114.2	22.8	20.0%
Master note purchase agreement	0.1	0.1	0.0	0.0%
Loan agreement with Missouri				
Department of Natural Resources	1.0	1.5	(0.5)	-33.3%
Loan agreement with Missouri Transportation	4.5	0.0	4.5	
Finance Corporation				
Capital lease—rolling stock	9.9	10.9	(1.0)	-9.2%
Capital leases—obligations with				
component units	49.7	50.2	(0.5)	-1.0%
Leasehold revenue improvement and				
refunding bonds	520.1	308.8	211.3	68.4%
Joint venture financing agreement	61.0	65.1	(4.1)	-6.3%
Total	\$ 890.8	665.1	174.8	33.9%

Outstanding Long-Term Debt Obligations 2008 and 2007



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2008 was \$455,718 million. The City's effective legal debt margin as of June 30, 2008 was \$404,843 million. For additional information on long-term debt, refer to the notes 13 to 16 to the basic financial statements.

The City's underlying general obligation credit ratings remained unchanged for fiscal year 2008. The City ratings on uninsured general obligation bonds as of June 30, 2008 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A+
Fitch IBCA, Inc. Ratings	A

The City of St. Louis, Missouri Revenue Bonds Outstanding Long-Term Debt Obligations-Business Type Activities (dollars in millions)

	Fiscal Year 2008	Fiscal Year 2007	\$ change	% change
Airport	\$ 818.8	843.9	(25.1)	-2.97%
Water Division	26.3	29.2	(2.9)	-9.93%
Parking Division	80.4	70.1	10.3	14.69%
Total	\$ <u>925.5</u>	<u>943.2</u>	<u>(17.7)</u>	-1.88%

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2008 and June 30, 2007

were \$925.5 million and \$943.2 million, respectively. The amount reflects a decrease of \$17.7 million, or 1.9%. This amount includes Airport bonds of \$818.8 million, Water Division bonds of \$26.3 million, and Parking Division bonds of \$80.4 million. For additional information on revenue bonds of the business-type activities, refer to note 17 of the basic financial statements.

Economic Factors and Next Year's Budget

- The fiscal year 2009 annual operating budget allocates \$961.0 million among all budgeted funds, an increase of 10.8% incorporating funding relating to:
 - Additional funds for police and crime prevention programs as well as police and firemen pension funding, both for debt requirements and current year contributions. This initiative is funded by an addition to the sales tax rate of one half percent which is expected to generate \$15 million.
 - A cost of living pay increase of 3.5%.
- The fiscal year 2009 general fund budget is \$460.5 million compared with \$435.3 million in the prior year. This amount reflects an increase of \$25.2 million, or 5.8%. This relates to:
 - A cost of living pay increase of 3.5%
 - Funding for four city-wide elections, including the presidential election.
 - Funding for past obligations of \$12.6 million due to the Employees' Retirement System.
- Total positions for fiscal year 2009 is 7,289, an increase of 64 positions mainly in the public safety departments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, 1200 Market Street, Room 311, Saint Louis, Missouri 63103.





City of St. Louis, Missouri
Statement of Net Assets
June 30, 2008
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	SWMDC	Forest Park Forever
ASSETS							
Cash and cash equivalents	\$ 41,019	14,435	55,454	17,141	1,701	1,829	3,044
Investments	115,618	10,956	126,574	—	5,985	734	22,711
Receivables, net	156,009	34,924	190,933	11,198	1,137	—	1,363
Inventories	—	3,615	3,615	—	1,187	—	—
Restricted assets	127,670	295,086	422,756	2,167	34	—	909
Deferred charges	15,437	33,033	48,470	—	—	—	—
Internal balances	9,313	(9,313)	—	—	—	—	—
Other assets	3,215	2,311	5,526	615	54	—	397
Receivable from primary government	—	—	—	2,992	4,782	—	—
Receivable from component unit	1,099	—	1,099	—	—	—	—
Net pension asset	38,856	—	38,856	—	—	—	—
Property held for development	—	—	—	12,688	—	—	—
Capital assets, net:							
Non-depreciable	132,683	810,479	943,162	4,914	1,646	—	—
Depreciable	647,944	1,063,234	1,711,178	10,069	30,729	5,530	182
Total assets	<u>1,288,863</u>	<u>2,258,760</u>	<u>3,547,623</u>	<u>61,784</u>	<u>47,255</u>	<u>8,093</u>	<u>28,606</u>
LIABILITIES							
Accounts payable and accrued liabilities	36,793	31,498	68,291	3,076	1,433	—	638
Accrued salaries and other benefits	5,692	7,261	12,953	—	3,988	—	—
Accrued interest payable	49,186	21,893	71,079	404	—	—	—
Unearned revenue	22,089	4,756	26,845	—	—	—	—
Other liabilities	3,453	—	3,453	—	—	—	—
Commercial paper payable	—	1,000	1,000	—	—	—	—
Payable to primary government	—	—	—	—	1,099	—	—
Payable to component units	7,374	400	7,774	—	—	—	—
Long-term liabilities:							
Due within one year	68,933	26,571	95,504	6,892	19,748	—	—
Due in more than one year	881,514	941,383	1,822,897	30,502	51,733	—	—
Total liabilities	<u>1,075,034</u>	<u>1,034,762</u>	<u>2,109,796</u>	<u>40,874</u>	<u>78,001</u>	<u>—</u>	<u>638</u>
NET ASSETS							
Invested in capital assets, net of related debt	355,721	1,058,030	1,413,751	2,853	32,375	5,530	182
Restricted:							
Debt service	43,491	95,424	138,915	2,167	—	—	—
Capital projects	95,248	15,035	110,283	—	—	—	—
Passenger facility charges	—	32,160	32,160	—	—	—	—
Statutory restrictions	78,709	—	78,709	—	34	—	—
Other purposes:							
Nonexpendable	—	—	—	—	—	—	13,983
Expendable	—	—	—	—	—	—	2,504
Unrestricted (deficit)	(359,340)	23,349	(335,991)	15,890	(63,155)	2,563	11,299
Total net assets	<u>\$ 213,829</u>	<u>1,223,998</u>	<u>1,437,827</u>	<u>20,910</u>	<u>(30,746)</u>	<u>8,093</u>	<u>27,968</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
Year ended June 30, 2008
(dollars in thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets											
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government		Component Units							
				Governmental Activities	Business-type Activities	Total	SLDC	SLPD	SWMDC	Forest Park Forever					
Primary Government: Governmental activities: General government Convention and tourism Parks and recreation Judicial Streets Public safety: Fire Police— Payment to SLPD Police Pension Other Health and welfare Public service Community development Interest and fiscal charges Total governmental activities Business-type activities: Airport Water Division Parking Division Total business-type activities Total primary government	\$	74,166	35,060	109	—	(38,997)	—	(38,997)	—	—	—	—	—	—	
		4,468	—	—	—	(4,468)	—	(4,468)	—	—	—	—	—	—	
		31,335	2,662	—	—	(28,673)	—	(28,673)	—	—	—	—	—	—	
		50,684	18,894	3,966	—	(27,824)	—	(27,824)	—	—	—	—	—	—	
		62,566	15,621	320	—	(46,625)	—	(46,625)	—	—	—	—	—	—	
		69,668	6,718	—	—	(62,950)	—	(62,950)	—	—	—	—	—	—	
		143,452	—	—	—	(143,452)	—	(143,452)	—	—	—	—	—	—	
		12,914	—	—	—	(12,914)	—	(12,914)	—	—	—	—	—	—	
		63,687	18,635	1,135	—	(43,917)	—	(43,917)	—	—	—	—	—	—	
		45,732	944	22,324	—	(22,464)	—	(22,464)	—	—	—	—	—	—	
		70,007	6,320	7,815	14,306	(41,566)	—	(41,566)	—	—	—	—	—	—	
		60,611	5,273	37,191	—	(18,147)	—	(18,147)	—	—	—	—	—	—	
		49,963	—	—	—	(49,963)	—	(49,963)	—	—	—	—	—	—	
		739,253	110,127	72,860	14,306	(541,960)	—	(541,960)	—	—	—	—	—	—	
	Component Units: SLPD SWMDC Forest Park Forever Total component units		215,691	163,460	4,348	28,037	—	(19,846)	(19,846)	—	—	—	—	—	—
		45,157	45,635	—	86	—	564	564	—	—	—	—	—	—	
		14,560	15,890	—	—	—	1,330	1,330	—	—	—	—	—	—	
		275,408	224,985	4,348	28,123	—	(17,952)	(17,952)	—	—	—	—	—	—	
\$		1,014,661	335,112	77,208	42,429	(541,960)	(17,952)	(559,912)	—	—	—	—	—	—	
\$		19,629	7,561	11,012	—	—	—	—	(1,056)	—	—	—	—	—	
		214,621	3,641	5,021	1,894	—	—	—	—	(204,065)	—	721	—	—	
		296	348	669	669	—	—	—	—	—	—	—	—	—	
		7,004	—	2,528	975	—	—	—	—	—	—	—	(3,501)	—	
\$		241,550	11,550	18,561	3,538	—	—	—	—	(204,065)	—	721	—	(3,501)	
General revenues:															
Taxes:															
		Property taxes, levied for general purpose				62,424	—	—	62,424	—	—	—	—	—	—
		Property taxes, levied for debt service				6,285	—	—	6,285	—	—	—	—	—	—
	Sales taxes				134,476	—	—	134,476	—	—	—	—	—	—	
	Earnings/payroll taxes				181,812	—	—	181,812	—	—	—	—	—	—	
	Gross receipts taxes (includes franchise tax)				84,652	—	—	84,652	—	—	—	—	—	—	
	Miscellaneous taxes				4,035	—	—	4,035	—	—	—	—	—	—	
	Unrestricted investment earnings				12,159	10,776	—	22,935	478	239	82	1,414	—	—	
	Support provided by City of St. Louis, Missouri				—	—	—	—	—	143,452	—	—	—	—	
	On-behalf payment for pension contribution from the City of St. Louis, Missouri				—	—	—	—	—	42,290	—	—	—	—	
	On-behalf payment for civilian employee pension contribution from the City of St. Louis, Missouri				—	—	—	—	—	1,328	—	—	—	—	
	Gain on sale of capital assets				47	26	73	—	—	—	—	—	—	5,010	
	Contributions to permanent endowment				—	—	—	—	—	—	—	—	—	—	
	Transfers				8,740	(8,740)	—	—	—	—	—	—	—	—	
	Special item-sale of TV License				—	—	—	—	—	2,506	—	—	—	—	
	Extraordinary item-worker's compensation recovery				—	—	—	—	—	21,996	—	—	—	—	
	Total general revenues, transfers, special item and extraordinary item				494,630	2,062	496,692	478	211,811	82	803	6,424	2,923	25,045	
	Change in net assets				(47,330)	(15,890)	(63,220)	(578)	7,746	(38,492)	7,290	21,488	25,045	27,968	
	Net assets—beginning of year				261,159	1,239,888	1,501,047	21,488	(38,492)	7,290	8,093	21,488	25,045	27,968	
	Net assets—end of year				213,829	1,223,998	1,437,827	20,910	(30,746)	8,093	8,093	21,488	25,045	27,968	
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2008
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	Capital projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents:					
Restricted	\$ 5,514	8,081	—	7,128	20,723
Unrestricted	—	1,892	—	17,817	19,709
Investments:					
Restricted	14,621	103,285	—	9,764	127,670
Unrestricted	37,135	31,511	4,945	42,027	115,618
Receivables, net of allowances					
Taxes	90,199	2,911	—	32,102	125,212
Licenses and permits	2,214	—	—	227	2,441
Intergovernmental	3,990	4,286	—	1,331	9,607
Charges for services	572	33	16,196	1,236	18,037
Notes and loans	—	—	—	64	64
Other	499	1	2	146	648
Advance to other funds	585	—	—	—	585
Due from component units	1,099	—	—	—	1,099
Due from other funds	19,737	—	—	3,727	23,464
Total assets	<u>\$ 176,165</u>	<u>152,000</u>	<u>21,143</u>	<u>115,569</u>	<u>464,877</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 16,544	9,338	7,705	2,915	36,502
Accrued salaries and other benefits	4,698	62	367	565	5,692
Due to component units	4,782	—	—	2,592	7,374
Due to other funds	1,522	4,676	13,133	659	19,990
Advance from other funds	12,369	—	—	—	12,369
Deferred revenue	79,550	—	—	20,963	100,513
Other liabilities	1,829	—	—	1,624	3,453
Total liabilities	<u>121,294</u>	<u>14,076</u>	<u>21,205</u>	<u>29,318</u>	<u>185,893</u>
Fund balances:					
Reserved:					
Encumbrances	1,458	51,912	—	5,965	59,335
Debt service	19,692	17	—	18,546	38,255
Special revenues	—	—	—	19,374	19,374
Capital projects	—	95,248	—	—	95,248
Unreserved, reported in:					
General fund	33,721	—	—	—	33,721
Special revenue funds	—	—	(62)	42,366	42,304
Capital projects fund	—	(9,253)	—	—	(9,253)
Total fund balances	<u>54,871</u>	<u>137,924</u>	<u>(62)</u>	<u>86,251</u>	<u>278,984</u>
Total liabilities and fund balances	<u>\$ 176,165</u>	<u>152,000</u>	<u>21,143</u>	<u>115,569</u>	<u>464,877</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	\$	278,984
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets and certain other assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the fund financial statements.		783,747
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The City reports a net pension asset on the statement of net assets to the extent actual contributions to the City's retirement plans exceed the annual actuarial required contribution. This asset is not reported in the fund financial statements. Fluctuations in net pension assets are reported in the statement of activities.		38,856
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Various taxes related to fiscal year 2008 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.		10,768
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Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2008 and payable on December 31, 2008 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		67,656
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Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.		1,165
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Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		15,437
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year, the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.

Balances as of June 30, 2008 are:

Accrued compensated absences		(26,300)
Net pension obligation		(20,903)
Accrued interest payable on bonds		(49,186)
Landfill closure liability		(100)
Capital leases		(59,531)
Bonds and notes payable		(831,324)
Unamortized discounts		4,890
Unamortized premiums		(14,240)
Unamortized deferred amounts on refunding		13,910

Total net assets—governmental activities—statement of net assets	\$	213,829
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See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
REVENUES					
Taxes	\$ 341,577	19,261	—	112,808	473,646
Licenses and permits	17,191	—	—	5,017	22,208
Intergovernmental	23,768	14,936	72,860	7,633	119,197
Charges for services, net	16,398	367	—	11,987	28,752
Court fines and forfeitures	10,000	—	—	—	10,000
Investment income	3,864	5,318	(7)	2,984	12,159
Interfund services provided	3,868	—	—	—	3,868
Miscellaneous	4,534	1,654	—	7,714	13,902
Total revenues	<u>421,200</u>	<u>41,536</u>	<u>72,853</u>	<u>148,143</u>	<u>683,732</u>
EXPENDITURES					
Current:					
General government	83,835	—	152	17,635	101,622
Convention and tourism	201	—	—	—	201
Parks and recreation	18,072	5,789	(43)	4,148	27,966
Judicial	45,571	—	2,254	2,981	50,806
Streets	29,056	6,510	290	2,230	38,086
Public Safety:					
Fire	115,561	—	11	33	115,605
Police	131,172	1,270	—	11,010	143,452
Police-Pension	43,618	—	—	—	43,618
Other	45,379	5,687	1,193	10,484	62,743
Health and welfare	2,997	—	22,179	20,203	45,379
Public services	25,490	4,377	8,491	31,737	70,095
Community development	—	—	36,538	24,172	60,710
Capital outlay	—	52,125	—	(1,022)	51,103
Debt service:					
Principal	20,857	13,881	790	10,956	46,484
Interest and fiscal charges	19,342	9,697	998	14,704	44,741
Total expenditures	<u>581,151</u>	<u>99,336</u>	<u>72,853</u>	<u>149,271</u>	<u>902,611</u>
Deficiency of revenues over expenditures	<u>(159,951)</u>	<u>(57,800)</u>	<u>—</u>	<u>(1,128)</u>	<u>(218,879)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	—	47	—	—	47
Issuance of leasehold revenue bonds	145,447	102,520	—	—	247,967
Premium on debt issuances	—	653	—	—	653
Bond discount on debt issuances	(2,953)	(862)	—	(150)	(3,965)
Issuance of capital lease	—	1,478	—	—	1,478
Issuance of tax increment revenue notes	—	—	—	37,737	37,737
Issuance of Missouri Transportation Finance Corp. Loan	—	4,500	—	—	4,500
Payment to refunded escrow agent-leasehold revenue bonds	(8,632)	—	—	—	(8,632)
Advance refunding on TIF bonds and notes payable	—	—	—	(11,000)	(11,000)
Transfers in	19,447	18,995	—	3,282	41,724
Transfers out	(13,215)	—	—	(19,769)	(32,984)
Total other financing sources (uses), net	<u>140,094</u>	<u>127,331</u>	<u>—</u>	<u>10,100</u>	<u>277,525</u>
Net change in fund balances	<u>(19,857)</u>	<u>69,531</u>	<u>—</u>	<u>8,972</u>	<u>58,646</u>
Fund balances:					
Beginning of year	74,728	68,393	(62)	77,279	220,338
End of year	<u>\$ 54,871</u>	<u>137,924</u>	<u>(62)</u>	<u>86,251</u>	<u>278,984</u>

See accompanying notes to basic financial statements.

City of St Louis, Missouri
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2008
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances \$ 58,646

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year. Details of the reported amounts are as follows:

Capital outlay	51,103	
Capital contribution	420	
Loss on disposal of capital assets	(459)	
Depreciation expense	(42,218)	
		8,846

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:

Change in revenues received after the 60-day accrual period	(2,006)	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	988	
		(1,018)

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities.

1,060

The City reports a net pension obligation/asset on the statement of net assets to the extent actual contributions to the City's retirement plans fall below/exceed the annual required contribution. This obligation/asset is not reported in the fund financial statements. Fluctuations in net pension obligations/assets are reported in the statement of activities.

110,253

Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.

Debt issued during the current year:		
Series 2007 Recreation Sales Tax Leasehold Revenue Bonds	(51,965)	
Series 2007 Pension Funding Project Leasehold and Refunding Bonds	(126,002)	
Series 2007 Police Capital Improvements Sales Tax Leasehold Revenue Bonds	(25,000)	
Series 2008A Public Safety Sales Tax Pension Funding Leasehold Revenue Bonds	(19,445)	
Series 2008B Juvenile Detention Center Leasehold Revenue Bonds	(25,555)	
Capital Lease-Rolling Stock	(1,478)	
Loan agreement with Missouri Transportation Finance Corporation	(4,500)	
Tax increment financing notes payable	(19,307)	
Tax increment financing bonds payable-Loughborough	(18,430)	
Repayments during the current year:		
Advance refunding of Series 1996 Firemen's Retirement Leasehold Revenue Bonds	8,430	
Advance refunding of tax increment financing bonds and notes payable-Loughborough	11,000	
Annual principal payments on bonds and notes payable	43,487	
Annual principal payments on capital leases	2,997	
		(225,768)

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This adjustment combines the net changes of the following:

Accrued compensated absences	1,189	
Reversal of court ruling for Firemen's overtime related to Proposition B	1,148	
Accrued interest payable on bonds	(11,122)	
Landfill closure liability	20	
Discounts on debt issuances, net of amortization	3,757	
Premiums on debt issuances, net of amortization	1,083	
Deferred bond issuance costs, net of amortization	6,009	
Deferred advanced refunding differences on debt issuances, net of amortization	(1,433)	
		651

Change in net assets—governmental activities—statement of activities	\$	(47,330)
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See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert— St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 53,127	4,027	6,126	63,280	—
Unrestricted cash and cash equivalents	8,891	1,884	3,660	14,435	587
Investments – unrestricted	—	4,976	5,980	10,956	—
Receivables, net of allowances:					
Intergovernmental	5,291	—	—	5,291	—
Charges for services	18,422	6,442	741	25,605	—
Passenger facility charges	3,693	—	—	3,693	—
Accrued interest	335	—	—	335	—
Prepaid assets	—	—	—	—	44
Due from other funds	—	—	—	—	4,390
Advance to other funds	—	—	—	—	12,369
Inventories	1,835	1,780	—	3,615	—
Other current assets	2,243	48	20	2,311	—
Total current assets	93,837	19,157	16,527	129,521	17,390
Noncurrent assets:					
Investments – restricted	204,416	9,513	17,877	231,806	—
Capital assets:					
Property, plant, and equipment	1,436,174	269,917	60,448	1,766,539	137
Less accumulated depreciation	(568,338)	(118,209)	(16,758)	(703,305)	(86)
	867,836	151,708	43,690	1,063,234	51
Land	750,543	1,238	21,260	773,041	—
Construction-in-progress	29,321	2,859	5,258	37,438	—
Capital assets, net	1,647,700	155,805	70,208	1,873,713	51
Deferred charges and other assets	30,867	273	1,893	33,033	—
Total noncurrent assets	1,882,983	165,591	89,978	2,138,552	51
Total assets	1,976,820	184,748	106,505	2,268,073	17,441
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	13,794	2,250	673	16,717	291
Accrued salaries and other benefits	1,402	438	150	1,990	—
Accrued vacation and compensatory time benefits	3,536	1,539	196	5,271	—
Contracts and retainage payable	14,781	—	—	14,781	—
Accrued interest payable	21,154	596	143	21,893	—
Current portion of revenue bonds	21,725	3,300	1,546	26,571	—
Commercial paper payable	1,000	—	—	1,000	—
Due to other funds	3,730	2,789	1,089	7,608	256
Due to component unit	—	—	400	400	—
Claims payable	—	—	—	—	16,849
Deferred revenue	1,188	1,630	1,938	4,756	—
Total current liabilities	82,310	12,542	6,135	100,987	17,396
Noncurrent liabilities:					
Revenue bonds payable, net	818,683	22,349	72,749	913,781	—
Deposits held for others	—	1,809	—	1,809	—
Advance from other funds	—	585	—	585	—
Other liabilities	17,793	6,539	1,461	25,793	—
Total noncurrent liabilities	836,476	31,282	74,210	941,968	—
Total liabilities	918,786	43,824	80,345	1,042,955	17,396
NET ASSETS					
Invested in capital assets, net of related debt	917,599	130,287	10,144	1,058,030	51
Restricted:					
Debt service	79,356	4,799	11,269	95,424	—
Capital projects	8,103	6,932	—	15,035	—
Passenger facility charges	32,160	—	—	32,160	—
Unrestricted (deficit)	20,816	(1,094)	4,747	24,469	(6)
Total net assets	\$ 1,058,034	140,924	26,160	1,225,118	45

Amounts reported for business-type activities in the government-wide statement of net assets are different because:

Certain internal service fund activities are included within business-type activities	(1,120)
Net assets of business-type activities—government-wide statement of net assets	\$ 1,223,998

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2008
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert— St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Aviation revenues	\$ 89,228	—	—	89,228	—
Concessions	24,088	—	—	24,088	—
Water sales	—	41,292	—	41,292	—
Lease revenue	3,128	—	—	3,128	—
Parking, net	18,174	—	14,482	32,656	—
Charges for services	—	—	—	—	18,982
Miscellaneous	—	3,720	—	3,720	—
Total operating revenues	134,618	45,012	14,482	194,112	18,982
OPERATING EXPENSES					
Claims incurred	—	—	—	—	14,067
Premiums	—	—	—	—	3,225
Personal services	41,889	16,230	6,482	64,601	250
Material and supplies	7,779	10,408	287	18,474	370
Purchased power	—	2,543	—	2,543	—
Contractual services	40,718	5,413	1,218	47,349	—
Miscellaneous	358	2,167	749	3,274	—
Depreciation and amortization	47,446	4,698	2,099	54,243	14
Interfund services used	2,856	2,317	82	5,255	—
Total operating expenses	141,046	43,776	10,917	195,739	17,926
Operating income (loss)	(6,428)	1,236	3,565	(1,627)	1,056
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	4,348	—	—	4,348	—
Investment income	8,381	1,074	1,321	10,776	—
Interest expense	(41,958)	(1,335)	(3,643)	(46,936)	—
Passenger facility charges	28,842	—	—	28,842	—
Amortization of bond issue costs	(1,537)	(41)	—	(1,578)	—
Loss on disposal of capital assets	(31,044)	(5)	26	(31,023)	—
Miscellaneous, net	(106)	623	1,408	1,925	—
Total nonoperating revenues (expenses), net	(33,074)	316	(888)	(33,646)	—
Income (loss) before transfers and capital contributions	(39,502)	1,552	2,677	(35,273)	1,056
Transfers in	—	—	410	410	—
Transfers out	(5,831)	(2,639)	(680)	(9,150)	—
Capital contributions	28,037	86	—	28,123	4
Change in net assets	(17,296)	(1,001)	2,407	(15,890)	1,060
Total net assets—beginning of year	1,075,330	141,925	23,753		(1,015)
Total net assets—end of year	\$ 1,058,034	140,924	26,160		45

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund activities are included within business-type activities	—
Change in net assets of business-type activities—government-wide statement of activities	\$ (15,890)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert— St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 131,432	43,633	14,306	189,371	17,796
Other operating cash receipts	—	—	69	69	—
Payments to suppliers of goods and services	(43,702)	(19,447)	(2,592)	(65,741)	(17,014)
Payments to employees	(42,039)	(16,579)	(6,507)	(65,125)	(240)
Payments for interfund services used	(2,896)	(2,125)	—	(5,021)	—
Net cash provided by operating activities	<u>42,795</u>	<u>5,482</u>	<u>5,276</u>	<u>53,553</u>	<u>542</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	—	—	410	410	—
Transfers to other funds	(5,831)	(2,694)	(680)	(9,205)	—
Net cash used in noncapital financing activities	<u>(5,831)</u>	<u>(2,694)</u>	<u>(270)</u>	<u>(8,795)</u>	<u>—</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	30,514	—	—	30,514	—
Receipts from federal financing assistance	56,950	—	—	56,950	—
Acquisition and construction of capital assets	(41,472)	(4,516)	(5,786)	(51,774)	—
Insurance recoveries	(117)	—	—	(117)	—
Proceeds from sale of surplus property	510	—	(43)	467	(16)
Proceeds from issuance of revenue bonds	—	—	12,573	12,573	—
Proceeds from issuance of refunding bonds	—	—	—	—	—
Proceeds from issuance of commercial paper	3,000	—	—	3,000	—
Principal paid on commercial paper	(3,000)	—	—	(3,000)	—
Cash paid for bond issuance costs	—	—	(589)	(589)	—
Principal paid on revenue bond maturities	(25,090)	(2,850)	(2,425)	(30,365)	—
Cash paid for bond refunding	—	—	—	—	—
Cash paid for interest	(40,814)	(1,168)	(3,379)	(45,361)	—
Proceeds from lease termination and other	—	623	951	1,574	—
Net cash provided by (used in) capital and related financing activities	<u>(19,519)</u>	<u>(7,911)</u>	<u>1,302</u>	<u>(26,128)</u>	<u>(16)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(954,813)	(72,147)	(106,295)	(1,133,255)	—
Proceeds from sales and maturities of investments	912,339	76,699	92,356	1,081,394	—
Investment income	8,554	1,157	1,288	10,999	—
Net cash provided by (used in) investing activities	<u>(33,920)</u>	<u>5,709</u>	<u>(12,651)</u>	<u>(40,862)</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	<u>(16,475)</u>	<u>586</u>	<u>(6,343)</u>	<u>(22,232)</u>	<u>526</u>
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	7,762	1,699	5,877	15,338	61
Restricted	70,731	3,626	10,252	84,609	—
	<u>78,493</u>	<u>5,325</u>	<u>16,129</u>	<u>99,947</u>	<u>61</u>
End of year:					
Unrestricted	8,891	1,884	3,661	14,436	587
Restricted	53,127	4,027	6,126	63,280	—
	<u>\$ 62,018</u>	<u>\$ 5,911</u>	<u>\$ 9,787</u>	<u>\$ 77,716</u>	<u>\$ 587</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (6,428)	1,236	3,565	(1,627)	1,052
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	47,446	4,699	2,099	54,244	14
Changes in assets and liabilities:					
Receivables, net	(2,254)	(638)	(17)	(2,909)	—
Inventories	225	(3)	—	222	—
Other assets, net	(77)	(36)	20	(93)	13
Accounts payable, accrued liabilities, accrued salaries and other benefit:	4,913	(293)	127	4,747	30
Claims payable	—	—	—	—	505
Deferred revenue	(554)	183	(90)	(461)	—
Due to/from other funds	(40)	512	(333)	139	(824)
Advance to other funds	—	—	—	—	(248)
Advance from other funds	—	585	—	585	—
Deposits held for others	—	(579)	—	(579)	—
Other long term liabilities	(436)	(184)	(95)	(715)	—
Total adjustments	<u>49,223</u>	<u>4,246</u>	<u>1,711</u>	<u>55,180</u>	<u>(510)</u>
Net cash provided by operating activities	<u>\$ 42,795</u>	<u>\$ 5,482</u>	<u>\$ 5,276</u>	<u>\$ 53,553</u>	<u>\$ 542</u>
Supplemental disclosure for noncash activities:					
Loss on disposal of surplus property	\$ (31,044)				
Capital contributions		\$ 86			

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(dollars in thousands)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents—unrestricted	\$ 11,163	18,701
Investments—unrestricted	—	11,802
Pension trust investments—unrestricted:		
U. S. government securities	101,300	—
Corporate bonds	109,551	—
Domestic bond funds	45,101	—
Stocks	773,955	—
Foreign government and corporate obligations	23,593	—
Mortgage-backed securities	67,435	—
Collective investment funds	363,165	—
Real estate group annuity and equities	156,291	—
Investment property	1,515	—
Hedge funds	49,337	—
Money market mutual funds and other short-term investments	146,196	—
Managed international equity funds	141,246	—
Total investments	1,978,685	—
Securities lending collateral	115,491	—
Receivables, net of allowances:		
Taxes	—	22,030
Contributions	33,351	—
Accrued interest	3,124	—
Other	7,714	733
Capital assets	438	—
Total assets	2,149,966	53,266
LIABILITIES		
Accounts payable and accrued liabilities	2,025	1,856
Deposits held for others	1,898	22,762
Due to other governmental agencies	—	28,648
Securities lending collateral liability	115,491	—
Other liabilities	8,421	—
Total liabilities	127,835	53,266
NET ASSETS		
Net assets held in trust for pension benefits	\$ 2,022,131	—

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2008
(dollars in thousands)

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Members	\$ 7,450
Employers	177,280
Investment income:	
Interest and dividends	35,345
Class action settlements	488
Net appreciation in fair value of investments	<u>226,466</u>
	262,299
Less investment expense	<u>(7,837)</u>
Net investment income	<u>254,462</u>
Total additions	<u>439,192</u>
DEDUCTIONS	
Benefits	116,036
Refunds of contributions	5,727
Administrative expense	<u>2,524</u>
Total deductions	<u>124,287</u>
Net increase	314,905
Net assets held in trust for pension benefits:	
Beginning of year	<u>1,707,226</u>
End of year	<u>\$ <u>2,022,131</u></u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

The component unit columns in the statement of net assets and statement of activities include the financial data of the City's four discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five-member board of commissioners, the mayor, and four members appointed by the governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the "steam loop." The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City, and therefore, the City is able to impose its will on SWMDC.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

Forest Park Forever, Inc. (FPF)

Forest Park is a 1,293 square foot park owned and operated by the City. In addition to being a City park, it is the home to many of the region's major cultural institutions – the St. Louis Zoo, the St. Louis Art Museum, St. Louis Science Center, the Missouri History Museum and the Muny Opera. Each of these cultural institutions are legally separate not-for-profit entities.

During 2008, the City determined that the economic resources held by FPF for the direct benefit of Forest Park are significant to the City and, hence, have included FPF as a discretely presented component unit. FPF is a legally separate tax-exempt component unit of the City and reports its financial statements under Financial Accounting Standards Board (FASB) Statements. FPF is a not for profit organization organized under the laws of Missouri in 1986 that works in partnership with the City whose mission and principal activities are to promote the rebuilding and continual maintenance of Forest Park through wide-based financial and citizen support in order that Forest Park retain its preeminence as a major metropolitan and regional asset of greater St. Louis. The economic resources received or held by FPF are almost entirely for the direct benefit of Forest Park. Historically the City as owner of Forest Park has received economic resources from FPF since calendar year 2000 significantly enhancing the park. FPF's fiscal year end is December 31, 2007, which falls within the City's current fiscal year-end. See note 29 for additional information and note disclosures relating to this discretely presented component unit.

Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City
of St. Louis, Missouri
1200 Clark Avenue
St. Louis, Missouri 63103

Forest Park Forever, Inc.
5595 Grand Drive in Forest Park
St. Louis, MO 63112

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

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4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, the County, and the State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, the County, and the State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (the Airport), the Water Division

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

of the City of St. Louis (the Water Division), and the Parking Division. Each of these enterprise funds is a major fund within the fund financial statements. Additionally, the City has three internal service funds (governmental activities): PFPC, mailroom services, and health. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

Grants Fund—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City's proprietary fund types:

Enterprise—Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

Internal Service—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

3) Fiduciary Fund Types

Trust and Agency—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees' Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and discretely presented component unit financial statements. Agency funds adhere to the accrual basis of accounting, and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental fund types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and the Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital-, financing-, or investing-related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2007 was \$1.3451 per \$100 (in dollars) of assessed valuation of which \$1.2123 (in dollars) is for the

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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general fund and \$0.1328 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection, and accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education
- Protected, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition, construction documents, or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible, and therefore, are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40 to 99
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

2) Business-type Activities Capital Assets

Capital assets for the Airport, the Water Division, the Parking Division, and the mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Pavings	18 to 30
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958 and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and structures	44 to 55
Pumping equipment	28 to 44
Hydrants, transmission mains, and lines	50 to 100
Meters	33
Other equipment	5 to 25

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and parking garages	10 to 40
Buildings and land improvements	5 to 10
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. SLDC generally capitalizes assets with costs of \$2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	3 to 10

8) Component Unit—SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is \$5.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Depreciation is computed using the straight-line method (with the 1/2-year convention election applied in the first and last year) over the following estimated useful lives:

	<u>Years</u>
Buildings	50 – 100
Building improvements	10 – 15
Furniture and fixtures and other Equipment	5 – 8
Automotive equipment	3
Communication equipment	5
Computer and software	3

9) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction and are recognized as nonoperating revenue based upon passenger enplanements.

j. Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments by the proprietary fund type, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

k. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental activities or governmental fund types.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

l. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation, bond premiums are recorded as an addition to the debt obligation, and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2008.

Non-uniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Vacation is granted to all full-time employees based on years of continuous service.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian

City of St. Louis, Missouri
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employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, \$58,174 will remain in force and will be liquidated under the current year's budget and \$1,160 will automatically be re-appropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, interfund services provided and used are not eliminated from the various functional categories. Transfers are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2008 are comprised of the following:

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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- 1) General Fund
Cash and investments with trustees to be used for debt service related to the Kiel Site Project, the Parking Revenue Bonds Series 2006 pledge, Civil Courts, Justice Center, Carnahan Courthouse, and Pension Funding Bonds-Series 2007 & Series 2008.
- 2) Capital Projects Fund
Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center construction, Carnahan Courthouse construction, Recreational Centers construction, Police Capital Improvement Projects, and the Juvenile Detention Centers Project. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.
- 3) Other Governmental Funds
Cash and investments with a trustee to be used for debt service of tax increment financing bonds and notes payables and other bond principal payments, use tax funding for affordable housing, health and building demolition, transportation sales tax, sewer lateral repair program funds, gaming revenue, parks and recreation sales tax, public safety sales tax, and Barnes/City lease agreement funds.

q. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

- 1) Invested in Capital Assets, Net of Related Debt
This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition and construction of those assets.
- 2) Restricted
This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent tax and other revenue sources that are required by statute to be expended only for a specific purpose or purposes.
- 3) Unrestricted
This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

r. Component Unit—SLPD

During fiscal year 2008, SLPD sold its license to operate a television station to a third-party for \$2,506. This has been reflected as special item – sale of TV license within the accompanying financial statements, as it is infrequent in occurrence and within the control of management.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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s. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

t. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

u. Individual Fund Deficit

At June 30, 2008, the grants fund has a deficit fund balance of \$(62). This amount will be offset by future commissions. The mail room services internal service fund has deficit net assets of \$(186). This amount will be offset by charges for services to other funds in future years.

v. Adoption of New Accounting Pronouncements

Effective July 1, 2007, the City adopted GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes criteria for governments to use to account for the exchange of an interest in their expected receivables or specific future revenues for immediate cash payments. This statement also requires disclosures pertaining to future revenues that have been pledged or sold. This statement had no impact on the financial statements other than additional disclosure.

Effective July 1, 2007, the City adopted GASB Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27. This statement more closely aligns the financial reporting requirement for pensions with those of other postemployment benefits. This statement had no impact on the financial statements other than additional disclosure.

Effective July 1, 2007, the SLPD adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement establishes accounting and financial reporting standards for employers that participate in a defined benefit “other postemployment benefit” (OPEB) plan.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City’s deposit and investment balances as of June 30, 2008:

As the investment strategies and associated risks for the Firemen’s Retirement System of St. Louis (Firemen’s System), Police Retirement System of St. Louis (Police System), and Employees’ Retirement System of the City of St. Louis (Employees’ System) are substantially different than those of the remainder of the primary government, the deposit and investment disclosures for the Firemen’s

City of St. Louis, Missouri
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System, Police System, and Employees' System are presented separately from those of the remainder of the primary government.

	Cash and Cash Equivalents	Investments	Restricted Assets	Total
Government-wide statement of net assets	\$ 55,454	126,574	422,756	604,784
Fiduciary statement of fiduciary net assets—agency funds	18,701	11,802		30,503
Total primary government excluding pension trust funds	74,155	138,376	422,756	635,287
Fiduciary statement of fiduciary net assets—pension trust funds:				
Firemen's System	5,308	505,259	—	510,567
Police System	5,725	791,868	—	797,593
Employees' System	130	681,558	—	681,688
Total pension trust funds	11,163	1,978,685	—	1,989,848
Total primary government	\$ 85,318	2,117,061	422,756	2,625,135

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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1) Primary Government Excluding Pension Trust Funds

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end, as reported by the respective investment custodian.

Certificates of deposit are defined as investments for statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes; for custodial risk disclosure; however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

As of June 30, 2008, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	\$ 123,108
Federal Home Loan Mortgage Corp.	85,243
Federal Home Loan Bank	218,193
United States Treasuries	5,932
Government Backed Trusts	798
Federal Farm Credit Discount Note	54
Guaranteed Investment Contract	10,895
Commercial Paper	7,480
Money Market Mutual Funds	54,843
Certificates of Deposit	46,149
Other Cash Deposits	82,592
	<u>\$ 635,287</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the U.S. Government or any agency or instrumentality thereof; bonds of the State, the City, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of the U.S. Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

Additionally, the City's indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated "A-1" or better by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. Government. These investments, while permitted by the indentures with the bond

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

Interest Rate Risk

The City seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investments of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2008:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Federal National					
Mortgage Association	\$ 123,108	113,686	7,032	2,390	—
Federal Home Loan					
Mortgage Corp.	85,243	84,877	366	—	—
Federal Home Loan Bank	218,193	213,367	—	—	4,826
United States Treasuries	5,932	3,346	2,586	—	—
Federal Farm Credit					
Discount Notes	54	54	—	—	—
Government Backed					
Trusts	798	—	—	798	—
Guaranteed Investment					
Contract	10,895	—	—	—	10,895
Commercial Paper	7,480	7,480	—	—	—
Money Market Mutual					
Funds	54,843	54,843	—	—	—
	<u>\$ 506,546</u>	<u>477,653</u>	<u>9,984</u>	<u>3,188</u>	<u>15,721</u>

Credit Risk

The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The investments of the primary government (excluding the pension trust funds) were rated as follows by Standard & Poor's Corporation as of June 30, 2008:

	Fair Value	AAA	Aaa	A-1+	A-1	Not Rated
Federal National						
Mortgage Association	\$ 123,108	—	7,725	115,383	—	—
Federal Home Loan						
Mortgage Corp.	85,243	—	1,069	84,174	—	—
Federal Home Loan Bank	218,193	—	14,840	203,353	—	—
United States Treasuries	5,932	—	—	—	—	5,932
Federal Farm Credit						
Discount Notes	54	—	—	54	—	—
Government Backed						
Trusts	798	798	—	—	—	—
Guaranteed Investment						
Contract	10,895	—	—	—	—	10,895
Commercial Paper	7,480	—	—	—	7,480	—
Money Market Mutual						
Funds	54,843	—	—	—	—	54,843
	<u>\$ 506,546</u>	<u>798</u>	<u>23,634</u>	<u>402,964</u>	<u>7,480</u>	<u>71,670</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2008, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: \$45,853 of Federal National Mortgage Association securities, \$1,677 of Federal Home Loan Mortgage Corporation securities, \$41,577 Federal Home Loan Bank securities, \$3,458 of U.S. Treasury securities, and the \$10,895 Guaranteed Investment Contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2008, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	19.38 %
Federal Home Loan Mortgage Corp.	13.42
Federal Home Loan Bank	34.34
United States Treasuries	0.93
Government Backed Trusts	0.12
Federal Farm Credit Discount Notes	0.01
Guaranteed Investment Contract	1.72
Commercial Paper	1.18
Money Market Mutual Funds	8.63
Certificates of Deposit	7.27
Other Cash Deposits	13.00
	<u>100.00</u>

2) Primary Government—Pension Trust Fund—Firemen's System

As of September 30, 2007, the Firemen's System had the following cash deposits and investments:

Common Stock	\$ 230,431
Collective Investment—Equity	49,328
Hedge funds	22,823
Corporate Obligations	111
Collective Investment—Bonds	102,309
U.S. Government Securities	1
Real estate investment trust	48,314
Money Market Funds	51,942
Other Cash Deposits	5,308
	<u>\$ 510,567</u>

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date.

The Firemen's System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firemen's System's development and continual monitoring of sound investment policies. The investment maturities, credit rating by investment, and foreign

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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currency exposures by asset class schedules are presented to provide an illustration of the Firemen's System's current level of exposure to various risks.

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2007:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Common Stock	\$ 230,431	230,431	—	—	—	—
Collective Investment— Equity	49,328	49,328	—	—	—	—
Hedge fund-equity	22,823	22,823	—	—	—	—
Corporate Obligations	111	—	—	—	—	111
Collective Investment— Bonds	102,309	—	1,616	54,132	35,624	10,937
U.S. Government Securities	1	—	—	—	—	1
Real estate investment trust	48,314	48,314	—	—	—	—
Money Market Funds	51,942	51,942	—	—	—	—
	<u>\$ 505,259</u>	<u>402,838</u>	<u>1,616</u>	<u>54,132</u>	<u>35,624</u>	<u>11,049</u>

The Firemen's System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2007:

Credit Rating Level	Common Stock	Collective Investment	Hedge Fund	Corporate Obligations	Government Securities	Real estate Investment	Money Market
AAA	\$ —	82,011	—	111	1	—	—
AA	—	972	—	—	—	—	—
A	—	7,591	—	—	—	—	—
BBB	—	11,674	—	—	—	—	—
N/A	230,431	—	—	—	—	—	—
Not Rated	—	49,389	22,823	—	—	48,314	51,942
	<u>\$ 230,431</u>	<u>151,637</u>	<u>22,823</u>	<u>111</u>	<u>1</u>	<u>48,314</u>	<u>51,942</u>

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Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen's System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Firemen's System's current level of foreign currency exposure as of September 30, 2007:

	Money Market	Equities	Fixed Income	Hedge Fund	Real Estate Investment Trust	Total
Australian Dollar	\$ —	4,938	—	—	—	4,938
British Pound Sterling	—	8,017	—	—	—	8,017
Canadian Dollar	—	2,110	—	—	—	2,110
Danish Krone	—	1,300	—	—	—	1,300
Euro	—	17,822	—	—	—	17,822
Hong Kong Dollar	—	1,598	—	—	—	1,598
Indonesian Rupiah	—	141	—	—	—	141
Japanese Yen	—	18,448	—	—	—	18,448
Mexican Peso	—	291	—	—	—	291
Norwegian Krone	—	3,975	—	—	—	3,975
South African Zar	—	155	—	—	—	155
Swedish Krona	—	1,676	—	—	—	1,676
Swiss Franc	—	3,246	—	—	—	3,246
Total Foreign Currency	—	63,717	—	—	—	63,717
U.S. Dollar	51,942	216,042	102,421	22,823	48,314	441,542
Total	\$ 51,942	279,759	102,421	22,823	48,314	505,259

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firemen's System's minimum credit quality rating for each issue shall be "BBB" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). Commercial paper issues must be rated at least "A1" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the investment manager is required to notify the Board and investment consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the investment manager's broad market benchmark.

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Concentration of credit risk is the risk of loss attributed to the magnitude of the Firemen's System's investment in a single issuer. The Firemen's System's policy does not allow the concentration per issuer to exceed 5% of the portfolio's market value at cost, with the exception of cash, cash equivalents, U.S. Treasury, of U.S. Agency securities. Furthermore, the investment manager may not hold more than 5% of the outstanding shares of any single issuer with exception of U. S. Treasuries or Agencies. Investment in any single fund of hedge funds shall not exceed 10% of the fund's market value. It is the Firemen's System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets			
Asset Class	Minimum	Target Mix	Maximum
Domestic Equity:			
Large Cap	24%	29%	34%
Small Cap	10	15	20
Domestic Fixed Income	25	20	35
International Equities	16	21	26
Real estate trust	—	10	15
Hedge fund	—	5	10

Investments that exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System at September 30, 2007 are as follows:

Aberdeen Core Plus Fixed	\$102,309
Artisan International Stock	49,328
The Principal US Property	48,314

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Borrowers shall be rated AA, A, or higher by Moody's or Standard and Poors. Collateral consisting of cash, letter of credit, U.S. government or agency securities, or floating rate notes of U.S. issuers is received and held by a financial institution. The collateral maintained is at least 102% of loan value for domestic securities and 105% of loan value for international securities of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. The financial institution indemnifies operation risk and counter party risk. The Firemen's System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The Firemen's System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2007, \$47,845 in loans was outstanding to borrowers. The Firemen's System earned income of

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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\$158 for its participation in the securities lending program for the year ended September 30, 2007.

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2007, the Police System had the following cash deposits and investments:

Equities:	
Common Stock	\$ 277,043
Collective Investment Funds	200,888
Real Estate Equities	32,380
Mortgaged-Backed Securities-Government	33,357
Mortgaged-Backed Securities-Non-Government	34,077
Fixed Income Collective Investment Fund	10,641
Corporate Bonds	92,351
Government Securities	63,801
Short-Term Notes and Commercial Paper	900
Money Market Funds	44,915
Investment Property	1,515
Other Cash Deposits	5,725
	<hr/>
	\$ 797,593
	<hr/> <hr/>

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date.

The Police System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Police System's development and continual monitoring of sound investment policies. The investment maturities, credit rating by investment, and foreign currency exposures by asset class schedules are presented below to provide an illustration of the Police System's current level of exposure to various risks.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2007:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1 – 5	6 – 10	More than 10
Equities	\$ 510,311	510,311	—	—	—	—
Mortgaged-Backed Securities—						
Government	33,357	—	95	—	1,920	31,342
Mortgaged-Backed Securities—						
Nongovernment	34,077	—	107	730	1,057	32,183
Corporate Bonds	92,351	—	55,806	13,101	13,847	9,597
Collective investment funds	10,641	10,641	—	—	—	—
Government Securities	63,801	—	20,980	24,114	14,102	4,605
Short-Term Notes and Commercial Paper	900	—	900	—	—	—
Money Market Funds	44,915	44,915	—	—	—	—
Investment Property	1,515	1,515	—	—	—	—
	<u>\$ 791,868</u>	<u>567,382</u>	<u>77,888</u>	<u>37,945</u>	<u>30,926</u>	<u>77,727</u>

The Police System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2007:

Credit Rating Level	Equities	Government Mortgage-Backed Securities	Nongovernment Mortgage-Backed Securities	Corporate Bonds	Collective Investment Funds	Government Securities	Short-term Notes and Commercial Paper	Money Market Fund	Investment Property
AAA	\$ —	32,631	27,872	1,226	—	62,220	—	—	—
AA	—	—	749	6,374	—	709	—	—	—
A	—	—	367	13,844	—	160	—	—	—
BBB	—	—	858	11,159	—	—	—	—	—
BB	—	—	—	1,171	—	—	—	—	—
B	—	—	—	133	—	—	—	—	—
N/A	510,311	—	—	—	—	—	—	—	—
Not Rated	—	726	4,231	58,444	10,641	712	900	44,915	1,515
	<u>\$ 510,311</u>	<u>33,357</u>	<u>34,077</u>	<u>92,351</u>	<u>10,641</u>	<u>63,801</u>	<u>900</u>	<u>44,915</u>	<u>1,515</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2007:

		Money Money Market/ Commercial Paper	Investment Property	Equities	Fixed Income	Total
Australian Dollar	\$	—	—	—	438	438
British Pound Sterling		—	—	3,981	297	4,278
Canadian Dollar		—	—	4,356	960	5,316
Cayman Islands Dollar		—	—	575	—	575
Euro		—	—	4,694	965	5,659
Indian Rupee		—	—	1,287	125	1,412
Israeli Shekel		—	—	270	—	270
Korean Won		—	—	—	450	450
Mexican Peso		—	—	768	159	927
Panama Dollar		—	—	—	177	177
Russian Rubles		—	—	406	—	406
Swiss Franc		—	—	4,094	—	4,094
Total Foreign Currency		—	—	20,431	3,571	24,002
U.S. Dollar		45,815	1,515	489,880	230,656	767,866
Total	\$	45,815	1,515	510,311	234,227	791,868

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fixed Income Portfolio must have an average rating of "A" or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than "A" may be purchased, provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total market value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the Investment Manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The Investment Manager has the responsibility of notifying the Board of Trustees through their designee whenever an issue falls below investment grade.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the respective investment manager's benchmark index.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. Emerging markets asset class as a sub-set of foreign equities has a target of 5% with a minimum of 3% and a maximum of 7%. It is the Police System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets			
Asset Class	Minimum	Target Mix	Maximum
Fixed Income	28%	30%	32%
Real Estate Equity	3	5	7
Large Cap U.S. Stocks	38	40	42
Small Cap U.S. Stocks	8	10	12
Foreign Equities	13	15	17

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Police System are as follows:

MFB Daily S&P 500 Equity Index Fund	\$100,814
COLTV Short-term Investment Funds	41,292

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 60% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30,

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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2007, outstanding loans to borrowers were \$106,920. The Police System earned income of \$130 for its participation in the securities lending program for the year ended September 30, 2007.

4) Primary Government—Pension Trust Fund—Employees' System

As of September 30, 2007, the Employees' System had the following cash deposits and investments:

Stocks	\$ 266,481
Managed International Equity Funds	141,246
Corporate Bonds and Debentures	17,089
Foreign Governmental and Corporate Obligations	23,593
Domestic Bond Funds	45,101
Real Estate Funds	75,597
U.S. Government and Agency Securities	37,498
Temporary Cash Investments	48,439
Managed hedge fund	26,514
Other Cash Deposits	130
	\$ 681,688

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the unit value quoted by the investee entity.

Foreign Currency Risk

The Employees' System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Employees' System's exposure to foreign currency risk is presented on the following table:

	Short- Term	Debt	Equity	Total
British Pound	\$ 736	818	—	1,554
Brazilian Real	—	158	—	158
Canadian Dollar	—	1,017	—	1,017
Euros	109	9,631	—	9,740
Japanese Yen	5	3,509	—	3,514
Total	\$ 850	15,133	—	15,983

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation to the Employees' Retirement System. Below is a list of fixed income credit qualities.

Quality Rating

Aaa/U.S. Governments	\$ 90,674
Aa	8,416
A	11,931
Baa	7,383
Below Baa	4,878
Total	<u>\$ 123,282</u>

All temporary cash investments held by the Employees' Retirement System at September 30, 2007 were unrated.

Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of an investment. Duration is a measure of debt instrument's exposure to a change in interest rate and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instrument's full price.

Investment	Fair Value	Effective Duration
Payden and Rygel	\$ 34,841	5.5 years
Allegiant	43,340	5.2 years
SSGA	<u>45,101</u>	4.7 years
	<u>\$ 123,282</u>	

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2007, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2007, the Employees' System has lending arrangements outstanding with a market value for securities lent of \$112,378 and a total market value for securities received as collateral of \$115,491 resulting in no credit risk for the Employees' System.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
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Concentration of Credit Risk

At September 30, 2007, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. Government) in any one organization, that represent five percent or more of total investments to the Employees' System:

State Street Global Advisors Passive	
Bond Market Index Fund	<u>\$45,101</u>
Silchester International Investors	
International Value Equity Group	<u>\$81,395</u>
Trust	
Walter Scott & Partners Limited	
Group Trust International	<u>\$59,851</u>
Principal Global Investors	
Real Estate Group Annuity	<u>\$75,597</u>
Contract	

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2008, all of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2008, the market value of investments approximates the carrying value of \$116.

c. Component Unit—SLPD

Investments are recorded at fair value, which is determined by closing market prices at year-end as reported by the investment custodian. Investments with an original maturity date of less than one year are carried at cost plus earned interest, which approximates fair value.

As of June 30, 2008, the SLPD had the following cash deposits and investments:

Federal Farm Credit Bank	\$ 486
Federal Home Loan Discount Notes	5,499
Other cash deposits	1,735
Total	<u>\$ 7,720</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

State statutes and SLPD investment policies are the same as for the primary government SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the SLPD's name. Actual investment decisions are made by the director of budget and finance, the Board of Police Commissioners, and the SLPD's fiscal agents.

Interest Rate Risk

The SLPD seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Board of Police Commissioner's (Investment Policy). The Investment Policy provides that, to the extent possible, the SLPD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the SLPD will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the SLPD for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The SLPD had investments in Federal Farm Credit Bank and Federal Home Loan Discount Notes securities had maturities of one year or less as of June 30, 2008.

Credit Risk

The Investment Policy provides that investments of the SLPD be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

The SLPD's investments in U.S. Government agencies as of June 30, 2008 were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the SLPD will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve in such capacity.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

At June 30, 2008, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name. Additionally, at June 30, 2008, \$112 of SLPD funds held in the form of cash on deposit were not insured or collateralized.

Concentration of Credit Risk

The SLPD has no investment policy related to the concentration of credit risk. At June 30, 2008, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	<u>Concentration</u>
Federal Farm Credit Bank	8%
Federal Home Loan Discount Notes	92%
	<u>100%</u>

d. **Component Unit—SWMDC**

At June 30, 2008, all of SWMDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in the City's name. SWMDC's investments of \$734 at year-end consisted entirely of Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and Federal National Mortgage Securities with less than one year to maturity and rated A-1+ by Standard & Poor's Corporation.

3. **RECEIVABLES, NET**

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental activities:						
General fund	\$ 90,199	3,990	572	—	2,713	97,474
Capital projects fund	2,911	4,286	33	—	1	7,231
Grants fund	—	16,196	—	—	2	16,198
Other governmental funds	32,102	1,331	1,236	64	373	35,106
Internal service funds	—	—	—	—	—	—
Total governmental activities	<u>\$ 125,212</u>	<u>25,803</u>	<u>1,841</u>	<u>64</u>	<u>3,089</u>	<u>156,009</u>
Business-type activities:						
Airport	\$ —	5,291	18,422	—	4,028	27,741
Water Division	—	—	6,442	—	—	6,442
Parking Division	—	—	741	—	—	741
Total business-type activities	<u>\$ —</u>	<u>5,291</u>	<u>25,605</u>	<u>—</u>	<u>4,028</u>	<u>34,924</u>

All amounts are scheduled for collection during the subsequent fiscal year.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:

Taxes receivable—general fund	\$ 859
Taxes receivable—other governmental funds	132
License and permits receivable—general fund	60
Charges for services receivable—other governmental funds	398

Business-type activities:

Charges for services receivable—Airport	200
Charges for services receivable—Water Division	3,429
	<u>\$ 5,078</u>

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate business growth. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State. The proceeds from any repayment of these loans are payable back to the funding source or re-loaned in accordance with the lending program. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2008:

Airport bond fund:	
Debt service account	\$ 43,267
Debt service reserve account	35,755
Airport renewal and replacement fund	3,500
Passenger facility charge fund	28,468
Airport development fund	68,846
Airport construction fund	75,589
Drug enforcement agency funds	2,118
	<u>\$ 257,543</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

- 1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) *Airport Bond Fund*: for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) *Arbitrage Rebate Fund*: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.
- 5) *Subordinated Indebtedness*: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.
- 6) *Airport Renewal and Replacement Fund*: an amount equal to \$57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.
- 7) *A sub-account in the Airport Revenue Fund*: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- 8) *Airport Debt Service Stabilization Fund and the Airport Development Fund*: various amounts for Airport fiscal years 2006 through 2011, achieving a balance of \$38,211 at the end of fiscal year 2011. Beginning in Airport fiscal year 2012, the Airport will allocate an amount sufficient to

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

- 9) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2008 are as follows:

Bond funds:	
Waterworks bond fund	\$ 3,980
Water replacement and improvement account	819
	<hr/>
Total bond funds	4,799
Construction funds	6,932
Customer deposits	1,809
	<hr/>
	\$ 13,540
	<hr/> <hr/>

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

1) 1998 Water Revenue Bond Funds

- a. To the unrestricted *Waterworks Operations and Maintenance Fund*, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- b. To the *Waterworks Bond Fund*, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payment of bonds principal and interest, as the same shall become due.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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- c. To the *Water Revenue Debt Service Reserve Account*, a sum equal to the Debt Service Reserve Fund Requirement or a debt service reserve fund policy or a surety bond shall be provided by a Bond Issuer in such amount or a letter of credit shall be provided by a bank acceptable to the City in such amount. All amounts paid and credited to this account shall be used solely to prevent any default in the payment of the principal of and interest on the Bonds.
- d. To the *Water Replacement and Improvement Fund*, an amount equal to \$25 per month until the account balance aggregates \$750. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.
- e. The remaining balance in the *Waterworks Revenue Fund* is to be deposited into the unrestricted Water Contingent Fund. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

2) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1998 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund, from which they shall be disbursed for the purposes contemplated in these ordinances.

3) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction, and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

4) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a \$3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2008 are as follows:

Series 2007 and 2006 bonds:

Debt service reserve	\$ 4,897
Debt Service	649
Capitalized interest	611
Construction Funds	12,739
Cost of issuance	3
Repair and replacement	2,607
Net project revenues	173
TIF funds-Argyle	46
Parking trust—Parking Division accounts	1,924
	<hr/>
Total series 2007 and 2006 bonds	23,649

Series 2003A and 2003B bonds:

Gross revenues	107
Bond	53
Repair and replacement	42
Operating reserve	100
Redemption	51
	<hr/>
Total series 2003A and 2003B bonds	353
	<hr/>
	\$ 24,002

Descriptions of the above funds required by the Series 2007 and 2006 bond indentures are as follows:

- 1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) *Debt service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.
- 3) *Capitalized interest* – Moneys deposited in this account to pay accrued and unpaid interest.
- 4) *Construction funds*—Provides for the payment of construction costs to complete the respective projects.
- 5) *Cost of issuance*—Provides for the payment of costs of issuance incurred in conjunction with the issuance of the bonds.
- 6) *Net project revenues*—Maintains funds used to fund the debt service account.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
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- 7) *Argyle TIF* – Money from the Argyle TIF district to help pay principal and interest on the bonds.
- 8) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.
- 9) *Repair and Replacement*—Provides for the repair and upkeep of parking garages.

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

- 1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage.
- 2) *Bonds*—Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds.
- 3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage.
- 4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture.
- 5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2008 are as follows:

Bond funds	\$ <u>2,167</u>
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Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture. Amortization expense was \$36 during the year ended June 30, 2008.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits. Amounts received above the required limits are remitted by the Trustee to SLDC.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,352	515	(16)	—	77,851
Construction in progress	54,092	26,242	—	(28,811)	51,523
Works of art	3,208	24	—	77	3,309
Total capital assets not being depreciated	134,652	26,781	(16)	(28,734)	132,683
<i>Capital assets being depreciated:</i>					
Buildings	425,904	4,323	—	19,148	449,375
Improvements other than buildings	80,385	1,442	—	429	82,256
Equipment	104,623	6,082	(4,239)	—	106,466
Infrastructure	462,578	9,744	—	9,157	481,479
Total capital assets being depreciated	1,073,490	21,591	(4,239)	28,734	1,119,576
<i>Less accumulated depreciation for:</i>					
Buildings	120,257	11,034	—	—	131,291
Improvements other than buildings	19,615	2,188	—	—	21,803
Equipment	57,096	7,048	(3,782)	—	60,362
Infrastructure	236,228	21,948	—	—	258,176
Total accumulated depreciation	433,196	42,218	(3,782)	—	471,632
Total capital assets being depreciated, net	640,294	(20,627)	(457)	28,734	647,944
Governmental activities capital assets, net	\$ 774,946	6,154	(473)	—	780,627

Construction in progress consists primarily of recreation centers, the transportation center, and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is \$4,511 at June 30, 2008. No impairment loss was recognized for the year ended June 30, 2008 as the asset was already carried at the lower of cost or fair market value.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
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The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2008. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Business-type activities:					
Combined:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 808,912	1,212	(34,384)	(2,699)	773,041
Construction-in-progress	77,199	44,999		(84,760)	37,438
Total capital assets not being depreciated	886,111	46,211	(34,384)	(87,459)	810,479
<i>Capital assets being depreciated:</i>					
Buildings and structures	489,292	870	(116)	54,568	544,614
Equipment	76,928	4,972	(2,400)	5,264	84,764
Pavings	894,061	1,183	—	23,847	919,091
Parking meters and lot equipment	6,472	400	—	—	6,872
Reservoirs	34,525	(12)	—	—	34,513
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,880	—	—	1,429	10,309
Purification basins and equipment	40,117	—	—	2,351	42,468
Water mains, lines, and accessories	112,114	2,458	(11)	—	114,561
Motor vehicle equipment	8,544	349	(207)	—	8,686
Total capital assets being depreciated	1,671,594	10,220	(2,734)	87,459	1,766,539
<i>Less accumulated depreciation for:</i>					
Buildings and structures	286,732	15,976	(46)	—	302,662
Equipment	52,778	4,497	(2,261)	—	55,014
Pavings	225,636	29,817	—	—	255,453
Parking meters and lot equipment	4,421	304	—	—	4,725
Reservoirs	7,309	665	—	—	7,974
Boiler plant equipment	622	3	—	—	625
Pumping equipment	7,786	162	—	—	7,948
Purification basins and equipment	11,568	779	—	—	12,347
Water mains, lines, and accessories	49,412	1,405	(7)	—	50,810
Motor vehicle equipment	5,462	491	(206)	—	5,747
Total accumulated depreciation	651,726	54,099	(2,520)	—	703,305
Total capital assets being depreciated, net	1,019,868	(43,879)	(214)	87,459	1,063,234
Business-type activities capital assets, net	\$ 1,905,979	2,332	(34,598)	—	1,873,713

Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Additionally, construction-in-progress consists of various improvements to the waterworks system and construction of a new parking facility.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 6,013
Convention and tourism	4,302
Parks and recreation	3,471
Judicial	355
Streets	24,625
Public safety:	
Fire	2,055
Other	783
Health and welfare	426
Public service	<u>188</u>

Total depreciation expense, governmental activities	\$ <u><u>42,218</u></u>
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Business-type activities:

Airport	\$ 47,350
Water Division	4,699
Parking Division	<u>2,050</u>

Total depreciation expense, business-type activities	\$ <u><u>54,099</u></u>
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City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	664	—	—	664
Parking facilities	18,990	—	—	18,990
Total capital assets being depreciated	22,654	—	—	22,654
Less accumulated depreciation for:				
Leasehold improvements	1,300	200	—	1,500
Equipment	651	6	—	657
Parking facilities	9,811	617	—	10,428
Total accumulated depreciation	11,762	823	—	12,585
Total capital assets being depreciated, net	10,892	(823)	—	10,069
SLDC capital assets, net	\$ 15,806	(823)	—	14,983

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,646	—	—	1,646
Total capital assets not being depreciated	<u>1,646</u>	<u>—</u>	<u>—</u>	<u>1,646</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	40,000	397	—	40,397
Furniture, fixtures, and other equipment	4,134	958	(151)	4,941
Automotive equipment	10,661	2,237	(1,108)	11,790
Communications equipment	6,398	339	(21)	6,716
Computers and software	3,166	523	(157)	3,532
Total capital assets being depreciated	<u>64,359</u>	<u>4,454</u>	<u>(1,437)</u>	<u>67,376</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	17,401	768	—	18,169
Furniture, fixtures, and other equipment	2,288	724	(116)	2,896
Automotive equipment	7,668	1,860	(1,055)	8,473
Communications equipment	4,229	203	(22)	4,410
Computers and software	2,302	553	(156)	2,699
Total accumulated depreciation	<u>33,888</u>	<u>4,108</u>	<u>(1,349)</u>	<u>36,647</u>
Total capital assets being depreciated, net	<u>30,471</u>	<u>346</u>	<u>(88)</u>	<u>30,729</u>
SLPD capital assets, net	<u>\$ 32,117</u>	<u>346</u>	<u>(88)</u>	<u>32,375</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

d. Component Unit—SWMDC

The following represents a summary in SWMDC's capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 8,056	669	—	8,725
Total capital assets being depreciated	8,056	669	—	8,725
<i>Less accumulated depreciation for:</i>				
Infrastructure	2,919	276	—	3,195
Total accumulated depreciation	2,919	276	—	3,195
SWMDC capital assets, net	\$ 5,137	393	—	5,530

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2008, SLDC has established a reserve for impairment of \$5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and retainage payable	Total
Governmental activities:			
General fund	\$ 16,542	2	16,544
Capital projects fund	6,128	3,210	9,338
Grants fund	7,705	—	7,705
Other governmental funds	2,878	37	2,915
Internal service	291	—	291
Total governmental activities	\$ 33,544	3,249	36,793
Business-type activities:			
Airport	\$ 13,794	14,781	28,575
Water Division	2,250	—	2,250
Parking Division	673	—	673
Total business-type activities	\$ 16,717	14,781	31,498

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The general fund accounts payable to vendors includes a payable to the Employees System of \$12,284 for the payment of the fiscal years 2007 and 2008 contribution.

10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single – employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System Fiscal Year-end</u>
Firemen's	September 30, 2007
Police	September 30, 2007
Employees'	September 30, 2007

a. Firemen's Retirement System of St. Louis

1) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis, 1601 South Broadway, St. Louis, Missouri, 63104.

The Firemen's System provided retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP option is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service

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retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

Covered members contribute 8% of their salary to the Firemen's System, as mandated per the State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Funded Status

The funded status of the Firemen's System as of October 1, 2007, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
October 1, 2007	\$495,116	\$533,235	\$38,119	92.9%	\$37,690	101.1%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4) Annual Pension Cost and Net Pension Asset (Obligation)

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2008 are as follows:

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Annual required contribution	\$ (17,206)
Interest on net pension asset	(824)
Adjustment to annual required contribution	925
Annual pension cost	<u>(17,105)</u>
Contributions made	<u>63,690</u>
Decrease in net pension obligation	<u>46,585</u>
Net pension obligation, beginning of year	<u>(10,799)</u>
Net pension asset, end of year	<u><u>\$ 35,786</u></u>

The net pension asset of \$35,786 as of June 30, 2008 is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Obligation)
2008	\$ 17,105	372 %	\$ 35,786
2007	17,899	23	(10,799)
2006	14,896	28	2,990

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2007
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.000%, per year to retirement age
Projected postretirement benefit increases:	
Under age 60:	
20-24 service years	1.5%, per year
25-29 service years	2.25%, per year
30 or more service years	3.0%, per year
Over age 60	3.000% with a maximum of 25% in increases after age 60

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5) Lawsuit

The Firemen's System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004, 2005, 2006, and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 and Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A to fund the Firemen's System in the amounts of \$49,405 and \$12,800, respectively (see note 15).

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

The Police System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation for the first 20 years of services, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. Such benefits are established by the State statute.

The Police System implemented a DROP feature during the Police System's fiscal year ended September 30, 1996. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years, at which point the member

City of St. Louis, Missouri
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may reenter the Police System. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) **Funding Policy**

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) **Funding Status**

The funded status of the Police System as of October 1, 2007, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
October 1, 2007	\$752,502	\$775,669	\$23,167	97.0%	\$62,179	37.3%

The aggregate actuarial cost method is used to determine the annual required contribution of the employer (ARC) for the Police System. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the plan.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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Notes to Basic Financial Statements, Continued
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4) Annual Pension Cost and Net Pension Asset (Obligation)

The City's annual pension cost and net pension asset to the Police System for the year ended June 30, 2008 are as follows:

Annual required contribution	\$ (12,703)
Interest on net pension obligation	(2,142)
Adjustment to annual required contribution	3,259
Annual pension cost	<u>(11,586)</u>
Contributions made	<u>42,290</u>
Increase in net pension obligation	30,704
Net pension obligation beginning of year	<u>(27,634)</u>
Net pension asset end of year	<u><u>\$ 3,070</u></u>

The net pension asset of \$3,070 is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Asset (Obligation)
2008	\$	11,586	365 %	\$	3,070
2007		16,504	49		(27,634)
2006		14,418	56		(19,223)

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2007
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

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5) Lawsuit

The Police System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005, 2006 and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 and Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A to fund the Police's System in the amounts of \$29,587 and \$6,000, respectively (see note 15).

c. Employees Retirement System of the City of St. Louis

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living

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increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 13.21% effective July 1, 2007 and 13.17% of active member payroll effective July 1, 2006. The City contributed 6% of active member payroll beginning July 2003 through June 2006 and 7.55% of active member payroll beginning July 2006. The City made an additional contribution of \$46,699 in September 2007 and \$14,222 in July 2008 which is recorded within accounts payable at June 30, 2008.

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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3) Funded Status

The funded status of the Employees System for the actuarial valuation as of September 30, 2007 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
September 30, 2007	\$646,569	\$732,576	\$86,007	88.26%	\$231,029	37.23%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees System for the year ended June 30, 2008 are as follows:

Annual required contribution	\$ (29,599)
Interest on net pension obligation	(6,002)
Adjustment to annual required contribution	6,664
Annual pension cost	<u>(28,937)</u>
Contributions made	<u>76,310</u>
Increase in net pension obligation	<u>47,373</u>
Net pension obligation, beginning of year	<u>(75,020)</u>
Net pension obligation, end of year	<u><u>\$ (27,647)</u></u>

The net pension obligation of \$(27,647) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$ (20,903)
Business-type activities	(3,782)
Component unit—SLPD	<u>(2,962)</u>
	<u><u>\$ (27,647)</u></u>

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Historical trend information about the City's participation in the Employees System is presented below.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
2008	\$	28,937	264	%	\$	(27,647)
2007		28,939	52			(75,020)
2006		28,824	53			(61,034)

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2007
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2007
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial asset value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	varies by age, ranging from 3.825% to 7.226%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

5) Lawsuit

Due to the Supreme Court's ruling in the lawsuits filed by the Firemen's and Police Retirement System, the Employees' System declared notice of its intent to seek similar court judgments for alleged shortfalls in the City's funding of the Employees System for fiscal years 2004 through 2007.

In response, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 of which \$46,699 was used to fund the Employees' System. (see note 15).

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d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2008 contributions of \$293, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2008, SLDC's current covered payroll was \$3,250 and total payroll amounted to \$3,469. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The SLPD is obligated under Chapter 84.160 RSMo to provide medical and life insurance benefits for former civilian and commissioned employees who retire subsequent to 1969. The SLPD provides these other postemployment benefits (OPEB) under a single-employer, defined benefit postemployment plan. The SLPD's OPEB plan does not issue a separate financial report.

Commissioned employees may retire and receive benefits under the SLPD's OPEB plan after 20 years of creditable service, regardless of age. Civilian employees may retire and receive benefits under the SLPD's OPEB plan after attaining age 55 with 20 years of service, or after attaining age 60 with five years of service. The disability eligibility for officers for a service disability has no minimum age or service requirements and for an ordinary disability is 10 years of service. The disability eligibility for civilians is 5 years of service.

For eligible retired employees and disabled employees under age 65, the SLPD pays the full cost of a base healthcare plan. Retirees may elect to pay costs associated with a buy-up healthcare plan, which provides coverage in excess of the base healthcare plan. For eligible retired employees and disabled employees over 65, the SLPD pays the costs of a Medicare Supplement Plan. Retirees pay the full cost of spouse healthcare coverage. Additionally, the SLPD provides a postretirement death benefit of \$3.

At July 1, 2007, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,342
Terminated plan members entitled to, but not yet receiving benefits	129
Active members	1,907
Total plan members	<u><u>3,378</u></u>

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Funding Policy

Contributions made to the SLPD's OPEB plan are established and may be amended by Board of Police Commissioners. For the year ended June 30, 2008, the SLPD contributed \$6,263, which was based upon pay-as-you-go financing requirements.

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation

The SLPD's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Effective July 1, 2007, the SLPD prospectively implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and the net liability at transition was set at zero.

The following table shows the components of the SLPD's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the SLPD's net OPEB obligation:

Annual required contribution	\$ 22,668
Contributions made	<u>(6,263)</u>
Increase in net OPEB obligation	16,405
Net OPEB obligation, beginning of year	<u>—</u>
Net OPEB obligation, end of year	<u><u>\$ 16,405</u></u>

The SLPD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows:

<u>Fiscal year</u>	<u>Annual OPEB cost (AOC)</u>	<u>Percentage of AOC contributed</u>	<u>Net OPEB obligation</u>
2008	\$ 22,668	27.6%	\$ 16,405

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrual liability for benefits was \$236,138, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$85,372, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 276.6%. The actuarial valuation was updated to incorporate significant changes to the substantive plan.

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Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made throughout the future. In future years, the schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The projection of future benefit payments for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation, as amended for significant changes to the plan that would impact the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after five-years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a 30-year amortization period.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

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13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 54,820	—	(3,945)	50,875	1,085
Section 108 Loan Guarantee					
Assistance Programs	58,820	—	(2,740)	56,080	2,920
Federal Financing Bank advances	680	—	(50)	630	50
Tax increment financing bonds					
and notes payable	114,251	37,737	(15,001)	136,987	5,191
Master note purchase agreement	66	—	(14)	52	—
Loan agreement with Missouri					
Department of Natural Resources	1,458	—	(481)	977	499
Loan agreement with MTFC	—	4,500	—	4,500	329
Capital lease—rolling stock	10,895	1,478	(2,532)	9,841	1,903
Capital leases—obligations with					
component units	50,155	—	(465)	49,690	485
Leasehold revenue improvement and					
refunding bonds	308,824	247,967	(36,596)	520,195	24,458
Joint venture financing agreement	65,116	—	(4,088)	61,028	3,512
Unamortized discounts, premiums,					
and deferred amounts on refunding	(1,153)	(3,514)	107	(4,560)	—
Net pension obligation	92,300	—	(71,397)	20,903	—
Accrued vacation, compensatory,					
and sick time benefits	27,489	15,601	(16,790)	26,300	17,697
Landfill closure	120	—	(20)	100	100
Firemen's overtime payable	1,148	—	(1,148)	—	—
Claims and judgments payable	16,344	14,106	(13,601)	16,849	10,704
Governmental activities long-term					
liabilities	<u>\$ 801,333</u>	<u>317,875</u>	<u>(168,761)</u>	<u>950,447</u>	<u>68,933</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

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	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	\$ 843,920	—	(25,090)	818,830	21,725
Net pension obligation	7,584	3,176	(8,995)	1,765	—
Pension funding liability	—	5,510	—	5,510	—
Other	1,035	—	(127)	908	—
Accrued vacation, compensatory, and sick time benefits	5,661	3,778	(3,365)	6,074	3,963
Unamortized discounts, premiums, and deferred amounts on refunding	21,826	—	(248)	21,578	—
Due to the City of Bridgeton	—	10,800	—	10,800	3,300
Total Airport	<u>880,026</u>	<u>23,264</u>	<u>(37,825)</u>	<u>865,465</u>	<u>28,988</u>
Water Division:					
Revenue bonds payable	29,175	—	(2,850)	26,325	3,300
Customer deposits	2,388	—	(579)	1,809	—
Net pension obligation	4,897	1,871	(5,324)	1,444	—
Pension funding liability	—	3,269	—	3,269	—
Other	290	—	(53)	237	—
Accrued vacation, compensatory, and sick time benefits	3,374	58	(304)	3,128	1,539
Unamortized discounts, premiums, and deferred amounts on refunding	(884)	—	208	(676)	—
Total Water Division	<u>39,240</u>	<u>5,198</u>	<u>(8,902)</u>	<u>35,536</u>	<u>4,839</u>
Parking Division:					
Revenue bonds payable	70,120	12,705	(2,425)	80,400	1,546
Net pension obligation	1,555	481	(1,463)	573	—
Pension funding liability	—	887	—	887	—
Accrued vacation, compensatory, and sick time benefits	171	196	(171)	196	196
Unamortized discounts, premiums, and deferred amounts on refunding	(6,226)	(125)	246	(6,105)	—
Total Parking Division	<u>65,620</u>	<u>14,144</u>	<u>(3,813)</u>	<u>75,951</u>	<u>1,742</u>
Business-type activities long-term liabilities	<u>\$ 984,886</u>	<u>42,606</u>	<u>(50,540)</u>	976,952	35,569
Less amounts recorded in:					
Accounts payable and accrued liabilities				(3,300)	(3,300)
Accrued salaries and other benefits				(5,698)	(5,698)
				<u>\$ 967,954</u>	<u>26,571</u>

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds

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in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds were to be used as follows: (i) \$44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued \$37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund \$37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of \$39,621 (after the addition of a \$2,645 premium and less a payment of \$550 in issuance costs and a \$29 discount), along with \$642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, \$10,215 in current interest Series 1999 bonds and \$695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

In November 2006, the City issued \$13,000 General Obligation Bonds, Series 2006. The series consists of current interest serial bonds due 2008 through 2026 with rates ranging from 3.75% to 4.2%. The Series 2006 bonds were issued for the purpose of providing funds to (i) replace, improve, and maintain the City's radio system used by the Police Department, Fire Department, Emergency Medical Services, and other City departments; (ii) reconstruct, repair, and improve major streets, bridges, and the City's flood wall where federal funding is available and local funding is required. The City shall levy an ad valorem tax on all taxable, tangible property in the City, without limit as to rate or amount, for the payment of the principal of and interest on the Series 2006 bonds. The principal and interest on the Series 2006 bonds is guaranteed under a municipal bond new issue insurance policy issued by MBIA Insurance Corporation. Principal payments are made from other governmental funds.

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Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 1,085	5,146	6,231
2010	3,490	2,171	5,661
2011	3,615	2,056	5,671
2012	3,730	1,940	5,670
2013	3,905	1,779	5,684
2014 – 2018	22,560	5,977	28,537
2019 – 2023	9,085	1,512	10,597
2024 – 2026	3,405	290	3,695
	<u>\$ 50,875</u>	<u>20,871</u>	<u>71,746</u>

c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project

During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

Principal and interest requirements for the combined Section 108 program notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 2,920	3,402	6,322
2010	3,110	3,234	6,344
2011	3,300	3,051	6,351
2012	3,500	2,855	6,355
2013	3,720	2,642	6,362
2014 – 2018	22,420	9,346	31,766
2019 – 2021	17,110	1,736	18,846
	<u>\$ 56,080</u>	<u>26,266</u>	<u>82,346</u>

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d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 50	42	92
2010	55	38	93
2011	60	35	95
2012	65	30	95
2013	70	26	96
2014 – 2017	330	48	378
	<u>\$ 630</u>	<u>219</u>	<u>849</u>

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2006, \$620 of payments in lieu of taxes and \$679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 2007, the City issued \$16,961 Taxable Tax Increment Financing Revenue Notes (600 Washington Redevelopment Project 1 One City Centre Component) Series 2007 (Series 2007 TIF Notes). The

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Series 2007 TIF Notes constitute special obligations of the City, and are payable from (a) certain moneys on deposit in the Special Allocation Fund (payments in lieu of taxes, economic activity tax revenue), (b) Municipal Revenues and (c) City Revenues, which constitute other legally available funds of the City's general fund in the amount equal to pay the principal and interest on the TIF note. Payments commence on March 1, 2008. The Series 2007 TIF Notes bear interest at the rate of 6.75% per year, mature on September 1, 2029, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2008, the City had \$136,987 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.5% to 10.0%, payable in various installments through 2029. The City issued \$37,737 in TIF bonds and notes payable during fiscal year 2008. Included in this amount is an IDA Tax Increment and Community Improvement District Refunding Revenue Bond Series 2007-Loughborough Commons Redevelopment Project in the amount of \$18,430. This financing refunded the TIF notes in the amount of \$11,000 for the Loughborough Commons District issued in 2006.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	General Fund Backed TIF Bonds and Notes		Additional TIF Bonds and Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2009	\$ 1,405	1,536	3,786	7,374
2010	1,545	1,389	4,026	7,134
2011	1,665	1,228	4,283	6,877
2012	—	1,145	4,556	6,604
2013	—	1,145	4,847	6,313
2014 – 2018	—	5,724	28,151	26,609
2019 – 2023	457	5,709	36,167	16,454
2024 – 2028	2,280	5,311	29,480	4,910
2029 – 2030	14,224	1,418	115	6
	<u>\$ 21,576</u>	<u>24,605</u>	<u>115,411</u>	<u>82,281</u>

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae

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\$1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2008, the balance of the note outstanding is \$52.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of \$1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of \$782 of which \$9 was loan origination fee and the remaining \$773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

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Principal and interest requirements under the loan agreement with the DNR are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 499	28	527
2010	158	13	171
2011	125	8	133
2012	127	5	132
2013	68	1	69
	<u>\$ 977</u>	<u>55</u>	<u>1,032</u>

h. Loan Agreement With Missouri Transportation Finance Corporation (MTFC)

In October 2007, the City entered into a loan agreement with the MTFC in the amount of \$4,500 at an annual interest rate of 4.2%. The proceeds of the loan are to be used for the construction of a transportation center to consolidate urban buses, intercity buses, light rail, passenger rail, commercial space and parking at one location. Annual payments are \$567 beginning January 2009 and ending January 2018.

Principal and interest requirements under the loan agreement with the MTFC are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 329	239	568
2010	392	175	567
2011	408	159	567
2012	426	142	568
2013	443	124	567
2014-2018	2,502	321	2,823
	<u>\$ 4,500</u>	<u>1,160</u>	<u>5,660</u>

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i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Due to other governmental agencies	\$ 10,413	3,890	(2,384)	11,919	4,208
Notes payable	4,437	3,524	—	7,961	736
Other liabilities	5,819	3,518	(3,953)	5,384	1,583
Revenue bonds	12,465	—	(335)	12,130	365
	<u>\$ 33,134</u>	<u>10,932</u>	<u>(6,672)</u>	<u>37,394</u>	<u>6,892</u>

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2009	\$ 736	249	985
2010	5,360	176	5,536
2011	1,360	42	1,402
2012	505	11	516
	<u>\$ 7,961</u>	<u>478</u>	<u>8,439</u>

Revenue bonds outstanding at June 30, 2008 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%.

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on property in the St. Louis Centre Development Area. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a

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determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending						
June 30:						
2009	\$ 365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012	—	—	455	512	—	215
2013	—	—	485	481	—	214
2014 – 2018	—	—	2,925	1,857	—	1,072
2019 – 2023	—	—	3,785	347	1,275	983
2024 – 2025	—	—	—	—	1,765	137
	<u>\$ 790</u>	<u>74</u>	<u>8,300</u>	<u>4,869</u>	<u>3,040</u>	<u>3,263</u>

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due within One Year
Accrued banked overtime, vacation, and sick time leave	\$ 28,133	9,145	(8,669)	28,609	9,097
Worker's compensation	40,357	—	(22,714)	17,643	4,334
Capital lease obligation	1,940	62	(2,002)	—	—
Net pension obligation	7,117	—	(4,155)	2,962	—
Pension obligation payable	—	4,362	—	4,362	—
Claims payable	—	1,500	—	1,500	—
Net OPEB obligation	—	16,405	—	16,405	6,317
	<u>\$ 77,547</u>	<u>31,474</u>	<u>(37,540)</u>	<u>71,481</u>	<u>19,748</u>

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14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supersedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%. The final installment was paid during fiscal year 2008 with residual proceeds.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%. Final payment was made during fiscal year 2008.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of \$942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

In September 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$6,014. The proceeds of the lease are to be used to purchase additional rolling stock. This portion of the capital lease is due in semi annual installments from 2007 through 2012 with an annual interest rate of 4.0534%.

In November 2007, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$825. The proceeds of the lease are to be used to purchase computer hardware

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and software. This portion of the capital lease is due in semi annual installments from 2008 through 2010 with an annual interest rate of 4.0238%.

In March 2008, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$653. The proceeds of the lease are to be used to purchase microwave communication system equipment. This portion of the capital lease is due in semi annual installments from 2008 through 2018 with an annual interest rate of 3.96%.

Principal payments of \$2,532 were made on these lease agreements in fiscal year 2008. The following is a schedule of future minimum lease payments as of June 30, 2008.

Year ending June 30:

2009	\$	2,308
2010		2,140
2011		1,992
2012		1,606
2013		1,037
2014 – 2018		<u>2,337</u>
Total future minimum lease payments		11,420
Amount representing interest		<u>(1,579)</u>
Present value of net minimum lease payments	\$	<u><u>9,841</u></u>

Capital assets (equipment) of \$12,751 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

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The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2008.

Year ending June 30:		
2009	\$	970
2010		971
2011		969
2012		967
2013		966
2014 – 2018		4,848
2019 – 2022		<u>3,915</u>
Total future minimum lease payments		13,606
Amount representing interest		<u>(3,916)</u>
Present value of net minimum lease payments	\$	<u><u>9,690</u></u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC, and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

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The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2008.

Year ending June 30:	
2009	\$ —
2010	—
2011	—
2012	3,525
2013	2,700
2014 – 2018	63,465
2019 – 2020	<u>30,590</u>
Total future minimum lease payments	100,280
Amount representing interest	<u>(60,280)</u>
Present value of net minimum lease payments	<u>\$ 40,000</u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued \$144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

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On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the \$119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2007, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of \$44,997 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are \$54,050 and \$62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment

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prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued \$15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund \$14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued \$16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund \$16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

The Series 1998 Bonds were advance refunded on September 27, 2007 by the SLMFC Taxable Leasehold Revenue and Refunding Bonds Series 2007-Pension Funding Project. The advance refunding did not result in a gain/loss on refunding due to no significant difference between the reacquisition price and the net carrying amount of the old debt.

f. Carnahan Courthouse

On October 1, 2006, the SLMFC issued \$23,725 Leasehold Revenue Refunding Bonds, Series 2006A (Series 2006A) with an average interest rate of 4.23% to refund the \$21,750 Carnahan Courthouse Leasehold Revenue Bonds Series 2002A (series 2002A) with an average interest rate of 5.37%. The net

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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proceeds of \$22,830 (after deduction of \$321 discount and less payment of \$560 in issuance costs) were used to purchase investments that mature at the same times and in such amounts as will be sufficient to pay the principal of the redemption premium, if any and the accrued interest on all of the Series 2002A Bonds being redeemed.

The City's payments are secured by a pledge agreement between the City and the Series 2006A Bonds trustee. The City's payments are further insured by the AMBAC Assurance Corporation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,080. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2027 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2002A bonds to reduce its total debt service payments over the next 10 years by approximately \$742 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$687.

g. Abram Building

In June 2007, the SLMFC issued \$4,000 in Abram Building Leasehold Revenue Bonds Series 2007 with an interest rate of 4.15%. The proceeds of the bonds are being used to fund the cash portion needed to purchase the Abram Federal Building.

h. Recreation Sales Tax

On July 12, 2007, the SLMFC issued \$51,965 in Recreation Sales Tax Leasehold Revenue Bonds Series 2007 (Series 2007 Bonds). The purpose of the Series 2007 Bonds is to pay the costs of designing and construction two new recreational center facilities in the City and to renovate several existing recreational facilities. Interest is paid semi-annually on the bonds at the rate of 4% to 5%. The Series 2007 Bonds are subject to redemption, in whole on February 15, 2017 and any date thereafter, or in part on February 15, 2017, and on any interest payment date thereafter at the option of the corporation. The Series 2007 Bonds maturing 2028, 2032, and 2037 (the term bonds) shall be subject to mandatory sinking fund redemption and payment prior to maturity on February 15, 2025, February 15, 2029 and February 15, 2033 respectively and annually in the years thereafter.

i. Police Capital Improvement Sales Tax

On December 13, 2007, the SLMFC issued \$25,000 in Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007 (Police Series 2007 Bonds). A portion of the proceeds will be used to pay for the cost of purchasing and installing equipment for a new interoperable communications system for the City. The communications property includes infrastructure equipment to be installed in the Police department communication's center and mobile radio units. The other portion of the proceeds will be used by the Police Board for facilities improvements including improvements to be made to the Police three area command stations.

Debt payments will be made from the Police Capital Improvement Sales Tax revenues. Interest is paid semi-annually on the bonds at the rate of 3.625% to 4.1%. The Police Series 2007 Bonds maturing on

City of St. Louis, Missouri
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February 15, 2023, 2025, 2028, 2033 and 2037 are subject to mandatory redemption and payment prior to maturity pursuant to the sinking fund requirements.

j. Public Safety Sales Tax Pension Funding Project

On June 12, 2008, the SLMFC issued \$19,445 Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A –Pension Funding Project (Series 2008A Bonds). The proceeds were used to complete the funding due the Police and Firemen’s Retirement Systems. Debt service will be paid by the Public Safety Sales Tax approved by the voters in February 2008. The Series 2008A Bonds include serial bonds in the principal amount of \$9,190 with interest rates ranging from 3.826% to 5.207% and are not subject to optional redemption prior to stated maturity. There are term bonds in the principal amount of \$10,255 with an interest rate of 5.857%. The bonds maturing in 2019 shall be subject to mandatory sinking fund redemption and payment prior to stated maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2015.

k. Juvenile Detention Center

On June 12, 2008, the SLMFC issued \$25,555 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series 2008B (Series 2008B Bonds). The proceeds will be used to fund the constructions, installation, rehabilitation and improvements of the property know as the Juvenile Detention Center as well as improvements to other real property. The Series 2008A Bonds include serial bonds in the principal amount of \$8,170 with an interest rate of 4% and term bonds in the principal amount of \$17,385 with interest rates ranging from 4.25% to 4.5% The term bonds maturing in 2025, 2028, and 2038 shall be subject to mandatory sinking fund redemption and payment prior to stated maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2023, June1, 2026, and June 1, 2029 respectively.

l. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2009	\$ 2,155	589	\$ 11,675	3,688
2010	2,255	493	12,915	3,094
2011	2,360	381	14,035	2,428
2012	2,465	270	9,940	1,818
2013	2,580	152	11,310	1,283
2014 – 2018	2,685	44	22,412	7,911
2019 – 2023	—	—	14,226	17,304
2024 – 2028	—	—	22,967	37,712
2029 – 2030	—	—	7,804	16,466
	<u>\$ 14,500</u>	<u>1,929</u>	<u>\$ 127,284</u>	<u>91,704</u>

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		Justice Center		Forest Park	
		Principal	Interest	Principal	Interest
Year ending June 30:					
2009	\$	6,620	4,507	\$ 785	587
2010		6,925	4,202	805	563
2011		7,250	3,875	835	533
2012		11,025	3,528	865	508
2013		7,920	2,966	895	473
2014 – 2018		46,260	8,167	5,055	1,797
2019 – 2022		5,660	314	4,945	534
	\$	<u>91,660</u>	<u>27,559</u>	\$ <u>14,185</u>	<u>4,995</u>
		Carnahan Courthouse		Abram Building	
		Principal	Interest	Principal	Interest
Year ending June 30:					
2009	\$	—	974	\$ 343	148
2010		15	974	358	134
2011		160	974	372	119
2012		170	968	388	103
2013		175	960	404	87
2014 – 2018		6,670	4,256	1,794	172
2019 – 2023		8,100	2,809	—	—
2024 – 2028		8,435	956	—	—
	\$	<u>23,725</u>	<u>12,871</u>	\$ <u>3,659</u>	<u>763</u>

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	Recreation Sales Tax		Police Capital Improvement Sales Tax	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2009	\$ 875	2,361	\$ 255	1,050
2010	910	2,326	265	1,041
2011	950	2,290	280	1,030
2012	985	2,252	290	1,020
2013	1,025	2,212	300	1,008
2014 – 2018	5,795	10,405	1,695	4,851
2019 – 2023	7,300	9,008	3,310	4,433
2024 – 2028	9,235	7,100	5,065	3,480
2029 – 2033	11,635	4,701	6,285	2,258
2034 – 2038	11,590	1,483	6,135	706
	<u>\$ 50,300</u>	<u>44,138</u>	<u>\$ 23,880</u>	<u>20,877</u>

	Public Safety Sales Tax Pension Funding Project 2008		Juvenile Detention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2009	\$ 1,275	1,000	\$ 475	1,069
2010	1,445	982	465	1,084
2011	1,505	922	480	1,066
2012	1,575	851	500	1,046
2013	1,655	774	520	1,026
2014 – 2018	9,700	2,428	2,935	4,802
2019 – 2023	2,290	134	3,565	4,166
2024 – 2028	—	—	4,380	3,356
2029 – 2033	—	—	5,450	2,285
2034 – 2038	—	—	6,785	942
	<u>\$ 19,445</u>	<u>7,091</u>	<u>\$ 25,555</u>	<u>20,842</u>

m. Pension Funding Project

The Police Retirement System and the Firemen's Retirement System filed two lawsuits in the Circuit Court of the City against the City seeking declaratory and injunctive relief and damages on the basis that the City was required to pay the entire certified amounts submitted by the Police System and the Firemen's System for their fiscal years 2004-2007. The Circuit Court granted summary judgment in favor of the Systems relative to the fiscal year 2004 suit and the City appealed the rulings. The

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Missouri Eastern District Court of Appeals transferred the cases to the Supreme Court of Missouri. On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In late May 2007, the Employees Retirement System delivered notice to the City of their intent to seek similar court judgments for the alleged shortfalls in the City's funding of the Employee System for fiscal year 2004 through 2007.

On September 27, 2007, in response to these cited actions, the SLMFC issued \$140,030 in Taxable Leasehold Revenue and Refunding Bonds Series 2007- Pension Funding Project (Pension Funding Project Bonds). Included in the financing was the refunding of the Firemen's System Series 1998 Bonds in the amount of \$8,430. The distribution of funds to the retirement systems were as follows:

Firemen's Retirement System	\$ 49,405
Police Retirement System	29,587
Employees' Retirement System	<u>46,699</u>
	<u>\$ 125,691</u>

The Pension Funding Project Bonds is a term bond bearing an interest rate of 6.5% due June 1, 2037. They are subject to pro rata mandatory sinking fund redemption and payment prior to stated maturity on June 1, 2011 and annually on June 1 in each of the years thereafter to and including June 1, 2036 at the redemption price of 100% of the principal amount so redeemed.

The cost savings to refund the bonds was minimal. By refunding the bonds, collateral used to secure them was needed to secure the Series 2007 bonds.

The long-term liability for the Employees' System portion of the Pension Funding Project Series 2007 debt is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$ 32,671
Business-type activities	9,666
Component unit—SLPD	<u>4,362</u>
	<u>\$ 46,699</u>

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Principal and interest requirements for the Pension Funding Project Bonds Series 2007 are as follows:

Pension Funding Project		
	Principal	Interest
Year ending June 30:		
2009	\$ —	9,102
2010	—	9,102
2011	2,035	9,102
2012	2,165	8,970
2013	2,305	8,829
2014 – 2018	13,985	41,693
2019 – 2023	19,165	36,514
2024 – 2018	26,250	29,424
2029 – 2033	35,975	19,707
2034 – 2038	38,150	6,394
	<u>\$ 140,030</u>	<u>178,837</u>

16. JOINT VENTURE FINANCING AGREEMENT

a. St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase, or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 2007 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's \$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds.

In May 2007, the Authority issued Convention and Sports Facility Project Refunding Bonds Series C 2007 (Series C 2007 Bonds) in the amount of \$49,585. The proceeds were issued for the purpose of (i) providing funds to refund all of the Authority's \$61,285 original principal amount of Series C 1997

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Bonds, and (ii) for the City to make various project improvements to the Cervantes Convention Center in the amount of \$2,421.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,054. This difference, reported in the accompanying financial statements as an increase of bonds payable, is being charged to operations through 2022 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series C 1997 bonds to reduce its total debt service payments over the next 10 years by approximately \$2,084 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$906.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2008, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2009	\$ 2,440	2,488	1,072	6,000
2010	2,565	2,357	1,078	6,000
2011	2,700	2,219	1,081	6,000
2012	2,840	2,073	1,087	6,000
2013	2,990	1,920	1,090	6,000
2014 – 2018	17,485	7,008	5,507	30,000
2019 – 2022	17,595	1,907	1,498	21,000
	<u>\$ 48,615</u>	<u>19,972</u>	<u>12,413</u>	<u>81,000</u>

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

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17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2008 are summarized as follows:

Bond Series 1997, Series B, interest rates ranging from 5.25% to 6%, payable in varying amounts through 2015	\$ 35,465
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	49,380
Bond Series 2001A, interest rates ranging from 4.13% to 5.50%, payable in varying amounts through 2012	25,020
Bond Series 2002, Series A, B, and C, interest rates ranging from 4.0% to 5.50%, payable in varying amounts through 2033	43,385
Bond Series 2003A, interest rates ranging from 2.80% to 5.25%, payable in varying amounts through 2019	65,875
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032	263,695
Bond Series 2007A, interest rate ranging from 4.00% to 5.25%, payable in varying amounts through 2033	231,275
Bond Series 2007B, interest rate ranging of 5.00%, payable in varying amounts through 2028	104,735
	<u>818,830</u>
Less:	
Current maturities	(21,725)
Unamortized discounts and premiums	56,778
Deferred amounts on refunding	(35,200)
	<u>\$ 818,683</u>

Interest payments on the above issues are due semiannually on January 1 and July 1.

On January 23, 2007, the Airport issued \$231,275 in Series 2007A Revenue Refunding Bonds with an average interest rate of 4.88 percent to advance refund \$178,395 of outstanding 2001A Series Revenue Refunding bonds, and \$54,670 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.07 percent. The net proceeds of \$241,933 (after the addition of a net issue premium of \$15,798 and payment of \$5,140 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$178,395 of 2001A Series Revenue Refunding bonds, and \$54,670 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007A Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,455. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2032 using the bonds outstanding method. The Airport

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completed the advance refunding to reduce its total debt service payments over the next 25 years by \$8,641 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,238.

On April 3, 2007, the Airport issued \$104,735 in Series 2007B Revenue Refunding Bonds with an average interest rate of 4.93 percent to advance refund \$106,150 of outstanding 1997B Series Revenue Refunding bonds with an average interest rate of 5.25 percent. The net proceeds of \$108,765 (after the addition of a net issue premium of \$6,324 and payment of \$2,294 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$106,150 of 1997B Series Revenue Refunding bonds is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007B Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,399. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 20 years by \$8,018 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,754.

The deferred amounts on refunding of \$35,200 at June 30, 2008, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 1997B, Bond Series 2000, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2008.

As of June 30, 2008, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 21,725	41,731	63,456
2010	21,670	40,594	62,264
2011	24,015	39,380	63,395
2012	25,965	38,061	64,026
2013	27,030	36,673	63,703
2014 – 2018	188,865	155,927	344,792
2019 – 2023	182,370	107,523	289,893
2024 – 2028	183,420	62,499	245,919
2023 – 2033	143,770	16,412	160,182
	<u>\$ 818,830</u>	<u>538,800</u>	<u>1,357,630</u>

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In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2008, \$547,880 of outstanding revenue bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2008 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1998 Water Revenue Bonds, 4.15% - 4.75%	
Payable in varying amounts through July 1, 2014	\$ 26,325
Less:	
Current maturities	(3,300)
Deferred amount on refunding	(633)
Unamortized discounts	(43)
	\$ 22,349

Debt service requirements to maturity of the 1998 Water Revenue Bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2009	\$ 3,300	1,101	4,401
2010	3,440	959	4,399
2011	3,585	809	4,394
2012	3,740	650	4,390
2013	3,905	480	4,385
2014 – 2015	8,355	399	8,754
	\$ 26,325	4,398	30,723

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c. Parking Division

Revenue bonds outstanding at June 30, 2008 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028	\$ 4,425
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038	6,585
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2032	56,685
Series 2007 revenue bonds interest ranging from 4.125% to 6.00% payable in varying amounts through 2034	12,705
	<u>80,400</u>
Less:	
Current maturities	(1,546)
Unamortized discount and deferred loss on refunding	(6,105)
	<u>\$ 72,749</u>

Debt service requirements for the Parking Division revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 1,546	3,723	5,269
2010	1,879	3,639	5,518
2011	1,973	3,551	5,524
2012	2,074	3,452	5,526
2013	2,186	3,354	5,540
2014 – 2018	12,794	15,123	27,917
2019 – 2023	16,148	12,040	28,188
2024 – 2028	18,691	8,193	26,884
2029 – 2033	20,151	2,896	23,047
2034 – 2038	2,958	336	3,294
	<u>\$ 80,400</u>	<u>56,307</u>	<u>136,707</u>

On December 13, 2007, the Parking Division issued \$9,370 in Series 2007A Parking Revenue Tax Exempt Bonds and \$3,335 in Series 2007B Parking Revenue Taxable Bonds. The Series 2007 Bonds were issued for the purpose of providing funds, together with other available funds, for the construction of the Downtown Justice Center Garage, adjacent to the City's new criminal justice center. In addition, the 2007 Series Bonds provided funding for debt service reserves, capitalized

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interest and bond insurance premiums and other costs of issuance with respect to the Series 2007 Bonds.

On December 14, 2006, the Parking Division issued \$46,250 in Series 2006A Parking Revenue Tax-Exempt Bonds and \$11,650 in Series 2006B Parking Revenue Taxable Bonds. The bonds were issued for the purpose of current refunding the outstanding Series 1996 and Series 1999 parking revenue bonds, and advance refunding the outstanding Series 2002 parking revenue bonds to achieve present value savings, provide debt service relief, modernize and streamline the issuance of future revenue bonds, fund the construction of the Euclid/Buckingham Garage, fund the Series 2006A and Series 2006B debt service reserves, and to fund the bond insurance premium and other costs of issuance of the Series 2006A and 2006B bonds. The bond series refunded and the amount outstanding were:

Parking Revenue Refunding Bonds, Series 1996 – \$22,085

Parking Revenue Bonds (Argyle Project), Series 1999 – \$9,805

Subordinated Parking Revenue Bonds (Downtown Parking Facilities), Series 2002 – \$20,170

A portion of the net proceeds from the Series 2006A and Series 2006B issuance in the amount of \$53,685, plus an additional \$924 from the Series 2002 Revenue Bonds debt service reserve monies, \$312 from the Series 2002 Revenue Bonds debt service reserve fund, and \$276 from the Series 1999 Revenue Bonds debt service reserve funds were deposited into an irrevocable trust with an escrow agent to current refund the Series 1996 and Series 1999 Bond issuances on December 15, 2006, and to advance refund the Series 2002 Bond issuance on February 1, 2012. Therefore, as of June 30, 2007, the Series 1996, Series 1999, and Series 2002 bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of June 30, 2007, \$19,270 and \$0, respectively, of defeased Series 2002 Bonds remain outstanding.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,029. This difference is reported as a deduction from bonds payable and is being charged to operations over the life of the new bond issue using the straight-line method, which approximates the effective interest method.

The current and advance refunding increases total debt service payments over the life of the Series 2006A and Series 2006B bond issuances by \$5,745, and results in an economic gain (difference between the present values of the old and new debt service payments) of \$2,102.

On November 20, 2003, the SLPCFC issued \$6,730 in Series 2003A Tax-Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and \$6,882 in Series B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were \$13,127, after the deduction of \$485 in underwriting fees and issuance costs. The Series 2003 A and Series 2002B bonds are secured solely by the net revenues of the Cupples Garage and do not constitute a general obligation of the Parking Division or the City.

During the fiscal year 2008, the Parking Division sold certain parking spaces within its Cupples property. The proceeds of the sale of these items were utilized to pay a mutually agreed-upon lease

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termination fee of \$951 to the Parking Division, which is reported as a nonoperating revenue within its 2008 financial statements. The fee proceeds along with other funds held by the Parking Division's trustee on behalf of the Parking Division were remitted to the financial institution that had purchased the Series 2003A Bonds and were utilized to redeem \$950 of the bonds maturing on June 1, 2028 plus accrued interest. These bonds were called for redemption on January 1, 2008.

18. PLEDGED REVENUES

The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following tables and narratives list those revenues and the corresponding debt issue along with the purpose of the debt, the amount of the pledge remaining, the term of the pledge commitment, the current fiscal year principal and interest on the debt, the amount of pledged revenue collected during the current fiscal year, and the approximate percentage of the revenue stream that has been committed, if estimable:

a. Governmental activities

The City has pledged an ad valorem tax levied upon all taxable, tangible property, real and personal (property tax revenue). The tax rate is set annually based on revenue required to pay debt. Total principal and interest remaining on the debt is \$71,746 with annual requirements ranging from \$6,231 in fiscal year 2009 to \$1,240 in the final year. During fiscal year 2008, the proportion of pledged revenues needed for debt service to revenues collected was 89.9%.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Public Safety General Obligation Revenue Bonds Series 1999	Renovation of fire and police buildings and demolition of unsafe or condemned buildings	Through fiscal year 2009	\$6,321	\$7,031
Public Safety General Obligation Refunding Bonds Series 2005	Renovation of fire and police buildings and demolition of unsafe or condemned buildings	Through fiscal year 2019		
General Obligation Revenue Bonds Series 2006	Communications equipment for fire, police and EMS and police infrastructure improvements	Through fiscal year 2026		

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The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in specified TIF districts to pay debt outstanding. Total principal and interest outstanding on the various TIF bonds and notes outstanding is paid based on the amount of revenue captured in each particular district. The principal and interest remaining as of June 30, 2008 is \$304,182. During fiscal year 2008, the proportion of pledged revenues needed to revenues collected was 100%.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Section 108 Downtown Convention Headquarters Hotel Project	Provide financial assistance with the development and construction of Convention Hotel	Through fiscal year 2021	\$4,756	\$5,219
Tax Increment Revenue Bonds Scullin Steel Area Series 1991	Assist in development of blighted property	Through fiscal year 2011	\$1,801	\$705
IDA Tax-Exempt Tax Increment Revenue Bond- Edison Brothers Warehouse Redevelopment Area--Series 2004	Assist in development of blighted property	Through fiscal year 2022	\$594	\$620
IDA Tax-Exempt Tax Increment Revenue Bond- MLK Plaza Warehouse Redevelopment Project--Series 2004	Assist in development of blighted property	Through fiscal year 2024	\$243	\$247
IDA Tax-Exempt Tax Increment Revenue Bond- Southtown Redevelopment Project - Series 2006	Assist in development of blighted property	Through fiscal year 2027	\$646	\$576
IDA Tax-Exempt Tax Increment and Community Improvement Refunding Revenue Bonds - Loughborough Commons-- Series 2007	Assist in development of blighted property	Through fiscal year 2028	\$563	\$561
Combined Various Tax Increment Financing Notes	Assist in development of blighted property	Through fiscal year 2030	\$7,562	\$6,740

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A \$45 (in dollars) surcharge on civil cases in the circuit court is imposed by state statute to be used for courthouse restoration. A city ordinance also imposes a \$5 (in dollars) court cost on all municipal ordinance violation cases to be used for courthouse restoration. The funds are used as pledges for the Civil Court and Carnahan Courthouse Leasehold Revenue Refunding Bond Series. Total principal and interest remaining on these financings is \$53,025 ranging from \$3,718 in fiscal year 2009 to \$2,846 in the final year. The charges for services have averaged \$1,251 over the past ten years for an average pledge of 100% of the pledged revenue stream.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
SLMFC Civil Courts Building Leasehold Revenue Refunding Bonds Series 2003A	Financing renovations at the City Civil Courts Building	Through fiscal year 2014	\$3,726	\$1,496
SLMFC Carnahan Courthouse Leasehold Revenue Refunding Bonds Series 2006A	Financing renovations at the Carnahan Courthouse	Through fiscal year 2027		

The City has pledged State per diem prisoner reimbursements for boarding of State prisoners to Justice Center debt issuances. Total principal and interest remaining on the debt is \$119,219 with annual requirements ranging from \$11,127 in fiscal year 2009 to \$1,862 in the final year. The prisoner reimbursements have averaged \$5,744 over the past ten years for an average pledge of 100% of the pledged revenue stream.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
SLMFC City Justice Center Leasehold Revenue Improvement Bonds Series 1996B and Series 2000A; SLMFC City Justice Center Leasehold Revenue Bonds Series 2001A	Construction of a new Justice Center	Through fiscal year 2020	\$11,121	\$6,375
SLMFC Leasehold Revenue Refunding Bonds Series 2005				

The City has pledged a portion of the one half cent capital improvement sales tax to fund the Forest Park Leasehold Revenue Refunding Bonds. As legally committed by ordinance, 10.4% of the revenue collected from this sales tax is allocated for Forest Park. The annual debt payment is appropriated from this source of funds. Total principal and interest remaining on the debt is \$19,180 with annual requirements ranging from \$1,372 in fiscal year 2009 to \$1,371 in the final year. The portion of the sales tax committed to for Forest Park has averaged \$1,822 over the past ten years so

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that the proportion of pledged revenues needed to revenues collected was 75.5% for the ten year period.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
SLMFC Forest Park Leasehold Revenue Refunding Bonds Series 2004	Finance improvements to Forest Park	Through fiscal year 2022	\$1,370	\$1,849

The City has pledged the one eighth cent parks and recreation sales tax to fund the Recreation Sales Tax Leasehold Revenue Bonds Revenue Bonds. The annual debt payment is appropriated from this source of funds. Total principal and interest remaining on the debt is \$94,438 with annual requirements ranging from \$3,236 in fiscal year 2009 to \$3,266 in the final year. The underlying debt was issued in fiscal year 2008 and fiscal year 2008 revenues from the tax were \$4,425. During fiscal year 2008, the proportion of pledged revenues needed to revenues collected was 70.2%.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
SLMFC Recreation Sales Tax Leasehold Revenue Bonds Series 2007	Construction of two new recreational center facilities	Through 2037	\$3,107	\$4,425

The City has pledged a portion of the one half cent capital improvement sales tax to fund the Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007. As legally committed by ordinance, 10% of the revenue collected from this sales tax is allocated for police capital improvements. The annual debt payment is appropriated from this source of funds. Total principal and interest remaining on the debt is \$44,757 with annual requirements ranging from \$1,306 in fiscal year 2009 to \$1,708 in the final year. The portion of the sales tax committed for police capital improvements has averaged \$1,709 over the past ten years. The estimated proportion of pledged revenues needed to revenues collected is 90.3% for the average debt service requirement over the life of the bonds.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
SLMFC Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007	Capital improvements to police buildings and certain interoperable communications equipment to be used by police, fire and EMS.	Through fiscal year 2037	\$1,309	\$1,777

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The 3.5% sales tax imposed on the amount of sales or charges for all rooms paid by the transient guests of hotels and motels is pledged by the City to fund the Convention and Sports Facility Refunding Bonds Series C 2007. Total principal and interest remaining on the debt is \$81,000 with annual requirements of \$6,000. The source of funds pledged averaged \$5,117 over the past ten years for an average pledge of 100%.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Convention and Sports Facility Project Refunding Bonds Series C 2007	Construction of a multipurpose convention and indoor sports facility	Through fiscal year 2022	\$6,000	\$5,616

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in the Argyle TIF district to pay debt outstanding on a portion of the Parking Revenue Bonds Series 2006 associated with the Argyle Parking garage. Total principal and interest outstanding at June 30, 2008 on this portion of the debt is \$13,205. During fiscal year 2008, the collection of PILOTs and EATs totaled \$799 for the Argyle TIF district so that the proportion of pledged revenues need to revenues collected was 100%.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Parking Revenue Bonds Series 2006 -Argyle TIF	Construction of parking garage	Through fiscal year 2022	\$899	\$799

The City has pledged general fund police parking ticket revenues to the Parking Revenue Bonds Series 2006 & Series 2007 in parity with the Parking Division to make up any shortfall of other committed sources. Total principal and interest remaining on the debt is \$56,685 with annual requirements ranging from \$5,180 in fiscal year 2009 to \$879 in the final year. During fiscal year 2008, revenue from the police parking ticket revenues totaled \$1,987. Since Parking Division revenues for fiscal year 2008 and cash held at the trustee were sufficient to pay the debt service requirement, no general fund revenues were necessary for fiscal year 2008. See footnote 18b.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Parking Revenue Bonds Series 2006 & 2007	Constructing parking facilities in the City	Through fiscal year 2034	\$4,227	\$1,987

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b. Business-type activities

Airport

The Airport has pledged a specific revenue stream to secure the repayment of an outstanding debt issue. Pledged PFC (Passenger Facility Charge) revenues for a given year constitute that portion of the PFC revenues that equals 125% of the amount of PFC-eligible 2001 Airport Development Program (ADP) debt service due during the given fiscal year. The following table summarizes information relevant to the PFC pledged revenues for the Airport Revenue Refunding Bonds Series 2005 as of June 30, 2008.

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Airport Revenue Refunding Bonds Series 2005	Land acquisition for the construction of a new runway	Through fiscal year 2032	\$20,707	\$25,887

As of June 30, 2008 the remaining principal and interest requirement is \$494,164, payable through July 2031. For the last two years, the proportion of pledged revenue, in the amount of \$51,771, to total PFC revenue, in the amount of \$58,017 was 90%. It can be projected that through July 2031, estimated PFC revenues in the amount of \$686,300 will be collected, of which \$617,705 will be pledged for principal and interest.

Water

The Water Division has pledged all Water Division revenues to secure repayment of the Water Revenue Refunding Bonds (Series 1998 Bonds). The following table and narrative lists the purpose of the debt, the term of commitment, the approximate proportion of the pledged revenue to revenue collected of the revenue stream as estimated at June 30, 2008, the current fiscal year principal and interest on the debt and the amount of pledged revenue earned during the current fiscal year:

Issue	General Purpose for debt	Term of Commitment	Principal and interest for the fiscal year ended ended June 30, 2008	Pledged revenue for the fiscal year ended ended June 30, 2008
Water Revenue Refunding Bonds, Series 1998	Funding of various Water Division infrastructures	Through fiscal year 2015	\$4,078	\$46,836

As of June 30, 2008, the remaining principal and interest requirement is \$30,723, payable through July 2014 (fiscal year 2015). The proportion of pledged revenue to revenue collected is estimated at 8.7% at June 30, 2008.

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In February 1996, the Water Division sold the rights to invest the Debt Service Reserve Fund. Under the agreement, the Water Division was paid \$941 in advance for interest. The transaction was recorded as deferred interest revenue and is currently amortized over the life of the bonds.

Parking

The Parking Division has pledged net Parking Division project revenues and net Parking Division revenues to secure the repayment the City of St. Louis Parking Revenue Bonds, Series 2006 & 2007. The general purpose of the bonds is to build parking facilities in the City. As of June 30, 2008 the remaining principal and interest requirement is \$136,707, payable through fiscal year 2034. Fiscal year 2008 net revenues were \$3,999 so that the proportion of pledged revenues needed to revenues collected was 100% for fiscal year 2008.

<u>Issue</u>	<u>General Purpose for debt</u>	<u>Term of Commitment</u>	<u>Principal and interest for the fiscal year ended ended June 30, 2008</u>	<u>Pledged revenue for the fiscal year ended ended June 30, 2008</u>
Parking Revenue Bonds Series 2006 & 2007	Constructing parking facilities in the City	Through fiscal year 2034	\$4,227	\$3,999

19. SHORT-TERM DEBT

a. **City**

Short-term debt activity for the year ended June 30, 2008 was as follows:

	<u>Balance June 30, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2008</u>
Tax revenue anticipation notes	\$ <u>—</u>	<u>32,000</u>	<u>(32,000)</u>	<u>—</u>

b. **Airport**

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. As of June 30, 2008, commercial paper of \$1,000 was outstanding. This commercial paper bore interest at rate of 1.65% and was due on September 4, 2008.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2008:

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	Balance June 30, 2007	Issued	Redeemed	Balance June 30, 2008
Commerical paper payable	\$ 1,000	3,000	(3,000)	1,000

20. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport and Water Division have entered into 10 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport and Water Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

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b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003, as amended January 2007	December 2003, as amended July 2005 and January 2007
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B debt service	Series 2001A, Series 2005, Series 2007A debt service
Guaranteed interest rate	6.34%	terminated	6.47%	5.34%	5.35%	Series 2001: 5.432% Series 2005: 5.432% Series 2007A: 5.440%
Lump-sum payment received at beginning of agreement	\$7,209	terminated	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	terminated	2008	2027	2015	2031
Notional amount (representing balance in applicable accounts)	\$1,147	terminated	\$7,034	\$1,015	\$5,364	\$17,953
Obligation (representing the unamortized portion of lump-sum payment) recorded on the statement of fund net assets at June 30, 2008	\$733	terminated	N/A	N/A	N/A	N/A

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The terms of Airport forward purchase agreements VII – IX and the Water Division forward purchase agreement are as follows:

	<u>Airport VII</u>	<u>Airport VIII</u>	<u>Airport IX</u>	<u>Water Division</u>
Date of origin	December 2003, as amended July 2005 and January 2007	December 2003	December 2003	February 1996
Underlying bond account(s)	Series 2002A, Series 2005 debt services	Series 2002B debt service	Series 2003A debt service	Series 1994 and Series 1998 debt service
Guaranteed interest rate	5.473%	5.332%	5.579%	6.200%
Lump-sum payment received at beginning of agreement	N/A	N/A	N/A	\$941
Date of termination (upon maturity of bond series)	2020	2032	2018	2015
Notional amount (representing balance in applicable accounts)	\$707	\$1,409	\$6,282	\$3,559
Obligation (representing the unamortized portion of the initial lump-sum payment) recorded on the statement of fund net assets at June 30, 2008	N/A	N/A	N/A	\$237

In January 2007, the Airport's forward purchase agreement VI and VII were amended to replace the defeased portions of Bond Series 2001A and Bond Series 2002B with Bond Series 2007A. No payments were made in consideration of this amendment.

In January 2007, forward purchase agreement V was amended to exclude the defeased portion of Bond Series 1997B. No payments were made in consideration of this amendment.

In April 2007, forward purchase agreement II was terminated with the issuance of the Series 2007B Bonds. No payments were made in consideration of this amendment.

In July 2005, the Airport's forward purchase agreements IV, VI, and VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds. No payments were made in consideration of this amendment.

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For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For the Airport forward purchase agreements III through IX, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2008, these fair values are as follows:

Agreement	Fair Value
Airport III	\$ 170
Airport IV	297
Airport V	347
Airport VI	4,295
Airport VII	104
Airport VIII	231
Airport IX	633

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2008 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2008 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

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d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport and the Water Division to the financial institutions as of June 30, 2008. Should the financial institutions fail to perform according to the terms of the agreement, the Airport and the Water face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport and the Water Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division would realize this increase in investment earnings.

f. Termination Risk

Should the Airport or the Water Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

21. OPERATING LEASES

- a. At June 30, 2008, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2009	\$ 1,169
2010	639
2011	582
2012	529
2013	487
2014 – 2018	1,839
2019 – 2023	250
2024 – 2028	238
	<hr/>
	\$ 5,733

b. Airport – Use Agreements and Leases with Signatory Air Carriers

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital

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improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2008, revenues from signatory air carriers accounted for 58% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2008:

	Signatory	Non- signatory	Total
Airfield	\$ 57,582	8,258	65,840
Terminal and concourses	19,753	2,157	21,910
Hangars and other buildings	740	65	805
Cargo buildings	545	128	673
	<u>\$ 78,620</u>	<u>10,608</u>	<u>89,228</u>

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The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancelable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:	
2009	\$ 17,432
2010	10,843
2011	9,109
2012	7,667
2013	4,734
2014 – 2018	11,178
2019 – 2023	6,922
2024 – 2028	3,872
2029 – 2033	3,872
2034 – 2035	1,171
	<hr/>
Total minimum future rentals	\$ <u><u>76,800</u></u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$6,009 for the year ended June 30, 2008.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were \$4,352 for the year ended June 30, 2008. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2009	\$ 121
2010	89
2011	58
2012	27
	<hr/>
Total minimum future rentals	\$ <u><u>295</u></u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:

2009	\$ 255
2010	255
2011	255
2012	270
2013	301
2014 – 2017	<u>1,104</u>
	<u>\$ 2,440</u>

Additionally, at June 30, 2008, SLDC was committed through February 2012 under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises. Sublease revenue is retained by SLDC for use at the site.

City of St. Louis, Missouri
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22. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue—grants fund	\$ 13,133
	Capital projects fund	3,006
	Other governmental nonmajor funds	16
	Enterprise:	
	Airport	1,397
	Water Division	1,094
	Parking Division	835
	Internal service funds	256
		<u>19,737</u>
Other governmental nonmajor funds	General fund	1,414
	Capital projects fund	1,670
	Other governmental nonmajor funds	643
		<u>3,727</u>
Internal service funds	General fund	108
	Enterprise:	
	Airport	2,333
	Water Division	1,695
	Parking Division	254
		<u>4,390</u>
		<u>\$ 27,854</u>

All of these interfund balances are due to either timing differences or due to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2009.

Advances to/from other funds as of June 30, 2008 are as follows:

<u>Advance from</u>	<u>Advance to</u>	<u>Amount</u>
General fund	Internal Service Fund	\$ 12,369
Water Division	General fund	585
		<u>\$ 12,954</u>

City of St. Louis, Missouri
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23. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 consisted of the following:

		Transfer To					
				Other			
		General	Capital	Govern-	Water	Parking	
		Fund	Projects	mental	Division	Division	Total
			Fund	Funds			
Transfer From	General fund	\$ —	10,295	2,920	—	—	13,215
	Capital Projects fund	—	—	—	—	—	—
	Other Governmental						
	Funds	10,297	8,700	362	—	410	19,769
	Airport	5,831	—	—	—	—	5,831
	Water Division	2,639	—	—	—	—	2,639
	Parking Division	680	—	—	—	—	680
		\$ 19,447	18,995	3,282	—	410	42,134

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

24. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2008, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

City of St. Louis, Missouri
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b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2008, no amounts had been drawn against the letter of credit by DNR. At June 30, 2008, \$100 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. In addition, the City has estimated that a penalty of \$50 to \$100, which the City Counselor's Office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able. In April 2007, the City notified DNR of completion of the project. Comments were received from DNR in February 2008. The City has discussed the comments with DNR and is awaiting final acceptance by the state.

c. Commitments

At June 30, 2008, the City had outstanding commitments amounting to approximately \$68,074, resulting primarily from service agreements.

Additionally, at June 30, 2008, the Airport had outstanding commitments amounting to approximately \$44,270 resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines and Southwest Airlines

American Airlines (American) and Southwest Airlines (Southwest) represent the major air carriers providing air passenger service at the Airport.

American provided 20% of the Airport's total operating revenues and 34% of total revenues from signatory air carriers for the fiscal year ended June 30, 2008. Accounts receivable at June 30, 2008 contained of \$1,793 relating to amounts owed to the Airport by American. These amounts include \$1,780 of unbilled aviation revenues at June 30, 2008.

Southwest provided 18% of the Airport's total operating revenues and 31% of total revenues from signatory air carriers for the fiscal year ended June 30, 2008. Accounts receivable at June 30, 2008 contained of \$4,044 relating to amounts owed to the Airport by Southwest. These amounts include \$2,432 of unbilled aviation revenues at June 30, 2008.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world

City of St. Louis, Missouri
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class” aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport’s existing runway and taxiway system.

The construction of this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport. As of June 30, 2007, land acquisition activities relative to the W-1W expansion project are complete.

During the year ended June 30, 2008, as a result of an agreement between the City of St. Louis and City of Bridgeton (Bridgeton), the Airport recognized a \$30,532 loss on the disposal of surplus property, which was originally acquired by the Airport for the purpose of noise mitigation and airport expansion. This agreement resolves and settles the remaining disputes between the Airport and Bridgeton. The key items in the agreement require the Airport to (1) pay over a three year period, \$10,800 to Bridgeton, (2) convey to Bridgeton approximately forty-two acres of land, and (3) lease to Bridgeton various parcels of land. Other key items in the agreement require Bridgeton to convey to the Airport approximately twenty-six acres of land. The land conveyed to Bridgeton by the Airport was originally recorded at cost. The cost of the land capitalized by the Airport in prior years represented all costs associated with preparing the land for its intended purpose of noise mitigation and airport expansion, including the costs of acquiring the land and returning the land to an undeveloped state. The land conveyed to the Airport by Bridgeton was recorded at fair market value. The difference resulted in a loss to the Airport. The terms of settlement for the surplus land included restrictions on the use of land resulting from its proximity to the Airport. Approximately ten acres of the land conveyed to the Airport will be leased to Bridgeton.

The above land transactions are part of a larger settlement agreement with Bridgeton. The Airport obtained FAA approval on the settlement agreement prior to closing on the agreement. As such, the Airport did not receive cash, but consideration in the form of an exchange of similar properties. The receipt of these properties will complete the land acquisition of all remaining properties owned by Bridgeton that are within the W-1W boundaries. As stated in the preceding paragraph, the Airport will pay over a three year period, \$10,800 to Bridgeton. In fiscal years 2009, 2010, and 2011 \$3,300, \$4,000, and \$3,500 respectively is due to Bridgeton. The liability totaled \$10,800 as of June 30, 2008, and \$3,300 is included in accounts payable and accrued expenses with the remaining \$7,500 included in other long-term liabilities within the accompanying balance sheet at June 30, 2008.

City of St. Louis, Missouri
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f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City. Revenues from these contracts amounted to \$9,066 during the year ended June 30, 2008.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program (NMTCT) to support \$52,000 in private investments in low-income areas. The entire \$52,000 of tax credits had been allocated to seven entities of which six of the transactions had closed as of June 30, 2008. SLDC has received administrative and closing costs totaling \$2,898 as of June 30, 2008. SLDC has incurred \$916 of related legal, accounting, and financial start-up expenses and recorded \$916 of revenue as of June 30, 2008. \$129 was recorded as revenue during 2008 with the rest having been recognized in previous years. During the fiscal year ended June 30, 2008, SLDC has incurred \$129 of related legal, accounting and financial start-up expenses and recorded \$129 of revenue. SLDC is holding the remaining amount of \$1,982 in cash and investments with a corresponding liability recorded to be recognized as revenue when expenses or program initiatives to the NMTCT are incurred. Subsequent to year end SLDC was awarded an additional \$45,000 in NMTCT's under the same program.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2008.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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25. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$16,450 at June 30, 2008, relating to these matters is recorded in the self-insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of Harry S. Truman Restorative Center (HSTRC) and Tower Grove Park through June 30, 2004. Effective June 13, 2004, for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$399 at June 30, 2008 relating to such matters is recorded in the self-insurance internal service fund—health.

Additionally, as of June 30, 2008, the following claims were recorded/accrued within the noted funds because the claims are not accounted for within the PFPC internal service fund; Airport in the amount

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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of \$1,070; General fund in the amount of \$263; and special revenue use tax fund in the amount of \$548.

The City maintains a blanket surety bond covering all City employees through PFPC. In addition, the City purchases commercial insurance for property damage for large City buildings and some contents. Damage and liability coverage is applicable to the Airport. There were no significant changes in coverage for the year ended June 30, 2008 and, for the years ended June 30, 2008, 2007, and 2006 settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2008 and 2007 are as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2008	\$ 16,344	14,106	(13,601)	16,849
2007	17,019	12,942	(13,617)	16,344

Additionally, there is an estimate of general liability claims outstanding of \$7,641 to \$7,791, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of \$1,000. The SLPD is covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City. At June 30, 2008, claims payable of \$1,500, represents the amount attributable to a lawsuit with a probable adverse outcome potential that is not covered by the City. Additionally, at June 30, 2008, \$1,625 of claims with a reasonable possibility of adverse outcome

City of St. Louis, Missouri
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were not covered by the City. No amounts have been accrued within the accompanying financial statements for these claims.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2008, these liabilities amounted to \$17,643 for workers' compensation. Of SLPD's total worker's compensation liability, \$10,133 has been accrued for benefits to be paid for long-term medical care for an officer seriously injured in the line of duty. Benefit payments for this case amounted to approximately \$416 for the year ended June 30, 2008.

In prior years, the SLPD accrued the estimated cost of long-term care for a second officer that had been injured in the line of duty. As a result of the death of this officer, the SLPD has recorded a worker's compensation recovery in the amount of \$21,996. This has been reflected within incurred claims and changes in estimates in the table below for the year ended June 30, 2008 and as an extraordinary item within the financial statements. Benefit payments for this case amounted to approximately \$925 for the year ended June 30, 2008.

Changes in the balances of claims payable and workers' compensation claims liabilities during fiscal years ended June 30, 2008 and 2007 were as follows:

	<u>Beginning of year</u>	<u>Incurred claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
Claims payable:				
2008	\$ —	1,500	—	1,500
2007	—	—	—	—
Worker's compensation claims:				
2008	\$ 40,357	(17,710)	(5,004)	17,643
2007	40,786	3,918	(4,347)	40,357

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

26. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

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Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

27. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2008 could not be determined; however, the original issue amounts totaled approximately \$2 billion (in dollars).

28. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued \$6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax that will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements. Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

On October 13, 2006, the City and the Southtown TDD entered into an Intergovernmental Cooperation Agreement in which the district has pledged an annual appropriation of the TDD Revenue to pay debt service on the portion of the TIF bonds related to the transportation projects. TDD revenues cannot exceed 13.7295% of the debt service requirements.

On April 5, 2007, the City and the Highlands TDD entered into an Intergovernmental Cooperation Access and Parking Agreement in which the district has pledged an annual appropriation of the TDD Revenues to pay TDD notes. A TDD Revenue Note Series 2007B was issued in the amount of \$605 at an interest rate of 6%. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

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29. COMPONENT UNIT - FOREST PARK FOREVER, INC. (FPF)

FPF is a not-for-profit organization organized under the laws of Missouri in 1986 that works in partnership with the City whose mission and principle activities are to promote the rebuilding and continual maintenance of Forest Park through wide-based financial and citizen support in order that Forest Park retain its preeminence as a major metropolitan and regional asset of greater St. Louis. During FPF's fiscal year ended December 31, 2007, FPF incurred \$3,880 for park projects and \$1,442 for park maintenance.

a. Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Investments at December 31, 2007 consisted of the following:

Certificates of Deposit	\$ 1,099
Federal Agency Bonds	7,250
Mutual Funds	4,025
Commons Stocks	7,073
Money Funds	2,865
Equity Method Investment	399
	<u>\$ 22,711</u>

b. Restricted Net Assets

At December 31, 2007, restricted expendable net assets (temporarily restricted) were available for park projects in the amount of \$1,160 and operations in the amount of \$1,344. Restricted non-expendable net assets (permanently restricted) are restricted to investment in perpetuity, the income of which is expendable to support maintenance of Forest Park.

c. Fundraising Agreement

FPF entered into an agreement with the City on September 9, 1997. Prior to this agreement, the City's Community Development Commission adopted a "Master Plan for Forest Park" which guides development in Forest Park to the year 2010 at which time it shall be reviewed by the City. The Master Plan calls for multiple projects comprising repairs of infrastructure, new construction, and landscaping in Forest Park with an estimated aggregate cost of approximately \$92,000. FPF endeavored to raise \$48,000 for use in the implementation of the Master Plan, and its Board of Directors raised those funds. As of December 31, 2007 approximately \$48,760 has been raised.

d. Maintenance and Trust Agreements

In March 2007, FPF entered into a Trust Agreement (FPF Trust Agreement) and Maintenance Cooperation Agreement (Maintenance Agreement) with the City. FPF and the City entered into such agreements with the intent of establishing a long-term funding mechanism for the maintenance of Forest Park. The City was authorized by Ordinance to enter into these agreements. The agreements

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became effective in 2007 and extend for a term of 50 years, unless terminated earlier under the provisions of the agreement.

Under the terms of the FPF Trust Agreement, FPF agreed to make donations to the Trustee established under the Trust Agreement of \$1,800 annually (FPF donation), payable in equal installments on January 1, and July 1 of each year, beginning July 1, 2007, solely to pay for the costs of maintaining Forest Park, as defined and described in the Maintenance Agreement. For the year ended December 31, 2007, FPF made donations to the Trustee of \$900 as required under the agreement. As of December 31, 2007, \$313 remained on deposit with the Trustee solely to pay for the costs of maintaining Forest Park. As a condition of the Maintenance Agreement, FPF purchased \$150 of lawn equipment during 2007 which was donated to the City for use solely in the Park.

Pursuant to Ordinance, the City also executed a Maintenance Trust Agreement with Barnes Jewish Hospital (BJH Trust Agreement) to establish a long-term funding mechanism for Forest Park' maintenance and operations. Under the BJH Trust Agreement, BJH will make donations in trust to a Trustee for the benefit of Forest Park to be used for the operation and maintenance of Forest Park (BJH Donation) and not for new construction. The total amount initially payable annually by BJH under the BJH Trust Agreement is \$2,000.

Under the terms of the Trust Agreements, a Trustee was designated and an irrevocable trust fund established (FPF Park Maintenance Fund). A Steering Committee comprised of representatives of both the City and FPF annually prepares a budget of costs of maintaining Forest Park based on the City's fiscal year beginning July 1. The total budget shall not exceed the amount of annual BJH donations plus the amount of FPF donations under the respective Trust Agreements.

30. FUTURE ACCOUNTING PRONOUNCEMENTS

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB Statement No. 49). This statement addresses accounting and financial reporting standards for pollution (including contaminations) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. GASB Statement No. 49 is effective for the City for the year ending June 30, 2009, as applicable.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB Statement No. 51). This statement establishes accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB Statement No. 52 is effective for the City for the year ending June 30, 2010, as applicable.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB Statement No. 53). This statement is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The guidance in this statement also addresses hedge accounting requirements and is effective for the City for the year ending June 30, 2011, as applicable.

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The City has not completed its assessment of the impact of the adoption of these statements.

31. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2008, the City issued \$50,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2009 and bear interest at a rate of 3.25% per year.

b. Issuance of the Lease Certificates of Participation Series 2008

On September 9, 2008, the SLMFC issued Lease Certificates of Participation Series 2008 in the amount of \$9,100. The Series 2007 Certificates were used to refund the LCRA's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and Series 1997B. The Series 2008 Certificates are due in installments through July 2021 and bear an interest rate ranging from 2.15% to 4.55%.

c. Tax Increment Revenue Notes

Subsequent to June 30, 2008, the City issued tax increment revenue notes totaling \$16,173 with interest rates ranging from 5.0% to 8.5%.

d. Convention Center Capital Improvement Projects Leasehold Revenue Bonds, Series 2008

On November 25, 2008, the SLMFC issued the Convention Center Capital Improvement Projects Leasehold Revenue Bonds Series 2008 in the amount of \$21,850. The proceeds of the Series 2008 Bonds were issued to fund certain capital improvements to the City of St. Louis Convention Center Property. The Series 2008 bonds principal payments commence fiscal year 2002 and bear an interest rate of 5.0% to 5.625%.

e. Airport Commercial Paper

On July 2, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due September 4, 2008, at an annual interest rate of 1.65% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

On September 4, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due November 6, 2008, at an annual interest rate of 1.78% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

On November 6, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due January 14, 2009, at an annual interest rate of 1.30% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2008
(dollars in thousands)

f. Market Conditions

For the period from June 30, 2008 through the date of this report, overall credit market conditions have deteriorated and impacted financial markets. Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments held by the City which could impact the value of the investments after the date of these financial statements. Despite the market dislocation the City believes its investments are prudent. The average life of its operating funds is less than one year. The City does not expect a need to liquidate a material amount of those investments prior to their maturity in order to maintain sufficient liquidity. As a result, the City anticipates that maturity of those investments in the ordinary course will provide sufficient liquidity to maintain operations without reliance on the credit markets for liquidity. The City Treasurer, his staff and its investment advisors are monitoring the situation closely to determine appropriate ongoing investment strategies and actions.

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APPENDIX C
DEFINITIONS OF WORDS AND TERMS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS

“Additional Bonds” means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to Section 210 of the Indenture.

“Additional Rentals” means the payments payable by the City pursuant to Section 4.2 of the Lease Agreement.

“Ambac” means Ambac Assurance Corporation, formerly known as AMBAC Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor thereto.

“Authorized Denominations” means Five Thousand Dollars (\$5,000) or any integral multiple thereof.

“Base Lease” means the Base Lease between the City and the Corporation, dated as of August 1, 1996, as amended and supplemented by the First Supplemental Base Lease, the Second Supplemental Base Lease, and the Third Supplemental Base Lease, and as may be further supplemented from time to time in accordance with Section 7.3 thereof.

“Base Lease Rent” means the items referred to as such in Section 3.4 of the Base Lease.

“Base Lease Term” means the term of the Base Lease commencing as of the date of the delivery of the Base Lease and ending on the date specified in Section 3.1 of the Base Lease.

“Board of Aldermen” means the Board of Aldermen of the City.

“Bond,” “Bonds,” or “Series of Bonds” means any bond or bonds, including Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

“Bond Counsel” means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

“Bond Fund” means the Leasehold Revenue Improvement Bonds Bond Fund created and established, and/or ratified, in Section 601 of the Indenture.

“Bond Register” means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer, and exchange of Bonds.

“Bond Registrar” means the Trustee when acting in such capacity under the Indenture.

“Bondholder,” “Holder,” or “Registered Owner” means the registered owner of any Bond.

“Business Day” means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

“City” means The City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

“City Representative” means the person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Base Lease, the Lease Agreement, and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee

containing the specimen signature of such person or persons, and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

“City Justice Center” means (a) the City Justice Center to be acquired, constructed, equipped, and installed on Tract II of the Property in the City, and any Improvements thereto, acquired, constructed, equipped and installed as part of the Project, as further described in Schedule I of the Lease Agreement, (b) the easement described as Tract III of the Property, as further described in Schedule I of the Lease Agreement, (c) the Property, and (d) any other personalty hereafter acquired by the Corporation and leased by the Corporation to the City pursuant to the Lease Agreement with respect to the City Justice Center.

“Closing Date” means the date of delivery of and payment for any Series of Bonds. The Closing Date with respect to the Series 2000A Bonds was February 8, 2000. The Closing Date with respect to the Series 2001A Bonds was September 18, 2001. The Closing Date with respect to the Series 2005 Bonds was September 1, 2005. The Closing Date with respect to the Series 2009 Bonds is October 13, 2009.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Completion Date” means the date of completion of the Project, as that date is certified as provided in Section 5.7 of the Lease Agreement and Section 506 of the Indenture.

“Construction Contracts” means the contracts for the construction of the Project, by and between the City and the Construction Contractors.

“Construction Contractors” means, collectively, the contractors who enter into Construction Contracts for the construction of all or any part of the Project.

“Construction Costs” means all reasonable and necessary expenses incidental to the acquisition (by lease or purchase, including condemnation) of real and personal property, the construction, equipping, and installing of furnishings and equipment for the St. Louis Jail Facilities, including the City Justice Center, or any part thereof including without limitation architectural, engineering, legal, financial, administrative, and accounting services relating thereto, the cost of all machinery, fixtures, and equipment necessary or desirable in connection with the Project, costs as may be necessary or incidental to the Project, and any and all other costs which in the opinion of Bond Counsel constitute construction expenditures within the meaning of Section 14(f)(4)(B)(i)(b) of the Code.

“Corporation” means the St. Louis Municipal Finance Corporation, a corporation organized under the Missouri Nonprofit Corporation Act, and its successors and assigns, and any surviving, resulting, or transferee corporation as provided in Section 16.1 of the Lease Agreement.

“Corporation Representative” means the person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Lease Agreement, and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

“*Cost*” or “*Costs*” means all Construction Costs, and all reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale, and issuance of Bonds with respect to the Project, including but not limited to, legal, organizational, marketing, or other special services; capitalized interest, financial, or underwriting fees and expenses, and any other fees and expenses incurred including the costs of Credit Enhancement, if any; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies; and all other reasonable, necessary, and incidental expenses, provided, that, any legal fees of the Corporation with respect to the Bonds shall be as pre-approved by the Comptroller prior to issuance of any Series of Bonds.

“*Costs of Issuance Fund*” means the Leasehold Revenue Improvement Bonds Costs of Issuance Fund created and established, and/or ratified, in Section 501 of the Indenture.

“*Counsel*” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

“*Credit Enhancement*” means a letter of credit, surety bond, or municipal bond new issue insurance policy or policies, if any, issued by the Credit Provider guaranteeing, providing for, or insuring the payment when due of the principal of, and the interest on, one or more Series of Bonds as provided therein. The term “Credit Enhancement” includes the Series 2000A Financial Guaranty Insurance Policy, the Series 2001A Financial Guaranty Insurance Policy, the Series 2005 Financial Guaranty Insurance Policy, and the Series 2005 Surety Bond.

“*Credit Provider*” means the issuer or issuers of any Credit Enhancement, pursuant to or identified in the Indenture or in any Supplemental Indenture authorizing the issuance of a Series of Bonds. The Credit Provider with respect to the Series 2000A Bonds, the Series 2001A Bonds, and the Series 2005 Bonds is Ambac.

“*Dated Date*” means the Dated Date on any Series of Bonds as set forth in the Indenture or in any Supplemental Indenture related to such Series of Bonds. The Dated Date with respect to the Series 2000A Bonds is February 1, 2000. The Dated Date with respect to the Series 2001A Bonds is September 1, 2001. The Dated Date with respect to the Series 2005 Bonds is September 1, 2005. The Dated Date with respect to the Series 2009 Bonds is October 13, 2009.

“*Debt Service Reserve Fund*” means the Leasehold Revenue Improvement Bonds Debt Service Reserve Fund created and established, and/or ratified, in Section 502 of the Indenture.

“*Debt Service Reserve Fund Deposits*” means, with respect to any Series of Bonds, the deposits into the Debt Service Reserve Fund, if any, required by the Indenture or the Supplemental Indenture authorizing such Series of Bonds.

“*Debt Service Reserve Fund Requirement*” means the least of (i) 10% of the stated principal amount of the Bonds, (ii) the maximum annual principal and interest requirements on the Bonds, or (iii) 125% of the average annual principal and interest requirements on the Bonds. The Debt Service Reserve Fund Requirement may be satisfied by Debt Service Reserve Fund Deposits in cash or, in partial substitution or in lieu of cash, by an insurance policy, letter of credit, line of credit, or surety bond or similar liquidity, or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such entity.

“Defeasance Obligations” means

- A. Cash (insured at all times by the Federal Deposit Insurance Corporation),
- B. Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:
 - U.S. treasury obligations,
 - All direct or fully guaranteed obligations,
 - Farmers Home Administration,
 - General Services Administration,
 - Guaranteed Title XI financing,
 - Government National Mortgage Association (GNMA), and
 - State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The value of Defeasance Obligations shall be determined as provided in the definition of “Value” in the Indenture.

“Depository” or *“DTC”* means Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, and its successors and assigns.

“Escrow Account” means, with respect to any Series of Bonds, the account by that name created pursuant to the Escrow Agreement, if any.

“Escrow Agent” means, with respect to any Series of Bonds, the escrow agent as set forth in the Escrow Agreement for such Series of Bonds, if any. The Escrow Agent with respect to the Series 2001A Bonds and the Series 2005 Bonds means UMB Bank, N.A.

“Escrow Agreement” means, with respect to any Series of Bonds, the escrow deposit agreement entered into by and among the City, the Corporation, and the Escrow Agent. The Escrow Agreement with respect to the Series 2001A Bonds means the Escrow Agreement among the City, the Corporation, and the Escrow Agent, dated as of September 1, 2001. The Escrow Agreement with respect to the Series 2005 Bonds means the Escrow Deposit Agreement among the City, the Corporation, and the Escrow Agent, dated as of the September 1, 2005.

“Event of Default” means (i) with respect to the Lease Agreement, any Event of Default as defined in Section 12.1 of the Lease Agreement, and (ii) with respect to the Indenture, any Event of Default as defined in Section 901 of the Indenture.

“Event of Non-Appropriation” means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Rentals for the succeeding Fiscal Year.

“First Supplemental Base Lease” means the First Supplemental Base Lease by and between the City and the Corporation, dated as of February 1, 2000.

“First Supplemental Indenture” means the First Supplemental Indenture of Trust dated as of August 1, 1996, by and between the Corporation and the Trustee, authorizing the issuance of Series 1996 Bonds.

“First Supplemental Lease Agreement” means the First Supplemental Lease Purchase Agreement by and between the Corporation and the City, dated as of February 1, 2000.

“Fiscal Year” means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

“Fitch” means Fitch, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch means any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Full Replacement Value” means the actual replacement cost of any component of the St. Louis Jail Facilities, exclusive of land, excavations, footings, foundations, and parking lots, but in no event shall such value be less than the principal amount of the Bonds at the time Outstanding.

“Global Bond Certificates” means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation by the Depository.

“Impositions” means those taxes, assessments, and other impositions defined in Article VI of the Lease Agreement.

“Improvements” means the improvements, fixtures, and equipment constituting a part of the St. Louis Jail Facilities now or hereafter attached and all replacements thereto.

“Indenture” means the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture, all as amended, supplemented, and restated by the First Restatement, and as may be further amended and supplemented pursuant to Article XI of the First Restatement.

“Insurance Trustee” means The Bank of New York, New York, successor to United States Trust Company of New York, New York, or any successor duly appointed by Ambac.

“Interest Payment Date” shall have, with respect to any Series of Bonds, the meaning specified in the Indenture or in the Supplemental Indenture authorizing such Series of Bonds. The Interest Payment Dates with respect to the Series 2000A Bonds are February 15 and August 15 of each year, beginning August 15, 2000, as long as any Series 2000A Bonds remain Outstanding. The Interest Payment Dates with respect to the Series 2001A Bonds are February 15 and August 15 of each year, beginning February 15, 2002, as long as any Series 2001A Bonds remain Outstanding. The Interest Payment Dates with respect to the Series 2005 Bonds are February 15 and August 15 of each year, beginning February 15, 2006, as long as any Series 2005 Bonds remain Outstanding. The Interest Payment Dates with respect to the Series 2009 Bonds are February 15 and August 15 of each year, beginning February 15, 2010, as long as any Series 2009 Bonds remain Outstanding.

“Lease Agreement” means the Lease Purchase Agreement between the Corporation and the City, dated as of August 1, 1996, as amended and supplemented by the First Supplemental Lease Agreement, the Second Supplemental Lease Agreement, and the Third Supplemental Lease Agreement, and as may be further amended from time to time in accordance with Article XIV of the Lease Agreement and Article XII of the Indenture.

“Master Indenture” means the Indenture of Trust, dated as of August 1, 1996, by and between the Corporation and the Trustee.

“Maturity” means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or in the Indenture provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

“Medium Security Correctional Facility” means the existing medium security correctional facility, together with all improvements thereto and equipment thereon located on the property described in Tract I on Schedule I to the Lease Agreement.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody’s shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Non-Arbitrage Certificate” means the non-arbitrage certificate, the tax certificate as to arbitrage, or the tax compliance agreement, and any exhibit attached thereto, with respect to certain tax matters relating to a Series of Bonds, and executed in connection with the closing on such Series of Bonds. With respect to the Series 2000A Bonds, the Non-Arbitrage Certificate means the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, executed by the Corporation, dated February 8, 2000. With respect to the Series 2001A Bonds, the Non-Arbitrage Certificate means the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, executed by the Corporation, dated September 18, 2001. With respect to the Series 2005 Bonds, the Non-Arbitrage Certificate means the Tax Compliance Agreement by and among the City, the Corporation, and the Trustee, dated as of September 1, 2005. With respect to the Series 2009 Bonds, the Non-Arbitrage Certificate means the Tax Compliance Agreement by and among the City, the Corporation, and the Trustee, dated as of October 1, 2009.

“Ordinance” means the ordinance of the City which authorizes, among other things, the issuance, sale, and delivery of a Series of Bonds, and any amendments or supplements thereto. With respect to the Series 2000A Bonds and the Series 2001A Bonds, the Ordinance is Ordinance No. 64652 enacted on June 4, 1999, as amended and restated by Ordinance No. 64811 enacted on December 17, 1999. With respect to the Series 2005 Bonds, the Ordinance is Ordinance No. 66771 enacted on July 20, 2005. With respect to the Series 2009 Bonds, the Ordinance is Ordinance No. 67094 enacted on May 30, 2006.

“Outstanding” means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

- (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for canceling;
- (b) Bonds which are deemed paid under Section 1302 of the Indenture;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(d) Bonds held by or for the account of the Corporation, the City, or any person controlling, controlled by, or under common control with either of them, for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds Outstanding under the Indenture, the Base Lease, or the Lease Agreement.

“Participants” means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“Paying Agent” means the Trustee and any other bank or trust institution organized under the laws of any state of the United States or any national banking association designated by the Indenture or any Supplemental Indenture as paying agent for any Series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

“Permitted Encumbrances” means:

(a) with regard to the City Justice Center, such easements, encumbrances, and restrictions as are identified in Schedule B of the title company’s commitment for title insurance effective on the date on which the City acquires title to the Property through condemnation or purchase;

(b) any financing statements relating to the Indenture, the Base Lease, or the Lease Agreement;

(c) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with Section 6.2 of the Lease Agreement;

(d) utility, access, and other easements and rights-of-way, restrictions, and exceptions, including operating agreements or leases, which will not interfere with or impair any of which may be necessary to the operation of the St. Louis Jail Facilities (or, if it is not being operated, the operation for which it was designed or last modified);

(e) any mechanic’s, laborer’s, materialman’s, supplier’s, or vendor’s lien or rights in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 9.2 of the Lease Agreement;

(f) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Property and which the Corporation certifies do not materially adversely affect the value of the St. Louis Jail Facilities or impair the Property affected thereby for the purpose for which it was acquired or is held by the Corporation;

(g) zoning laws and similar restrictions which are not violated by the St. Louis Jail Facilities;

(h) the Base Lease; and

(i) the Lease Agreement.

“Permitted Investments” is defined as follows:

- A. For all purposes, Defeasance Obligations.
- B. For all purposes other than defeasance investments in refunding escrow accounts, the following Obligations:
 - (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration
 - Federal Financing Bank
 - (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by the Credit Provider
 - (3) United States of America dollar denominated deposit accounts, federal funds, and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
 - (4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
 - (5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;
 - (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as

to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (a) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal Obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P.
 - (8) Investment Agreements approved in writing by the Credit Provider (supported by appropriate opinions of counsel); and
 - (9) other forms of investments (including repurchase agreements) approved in writing by the Credit Provider.

C. The value of the above investments shall be determined as provided in the definition of “Value” in the Indenture.

“*Plans and Specifications*” means the Plans and Specifications for the City Justice Center, any amendments and additions thereto, and any change orders thereto.

“*Pledge Agreement*” means the Pledge Agreement by and between the City and the Trustee, dated as of August 1, 1996, as amended by the First Supplemental Pledge Agreement by and between the City and the Trustee, dated as of September 1, 2005, and as may be further amended from time to time.

“*Pledged Revenue Account*” means the account by that name created and established, and/or ratified, in Section 601 of the Indenture.

“*Principal Payment Date*” shall have, with respect to any Series of Bonds, the meaning specified in the Indenture or in the Supplemental Indenture authorizing such Series of Bonds. The Principal Payment Dates with respect to the Series 2000A Bonds are February 15 of each year, beginning February 15, 2001, as long as any Series 2000A Bonds remain Outstanding. The Principal Payment Dates with respect to the Series 2001A Bonds are February 15 of each year, beginning February 15, 2002, as long as any Series 2001A Bonds remain Outstanding. The Principal Payment Dates with respect to the Series 2005 Bonds are February 15 of each year, beginning February 15, 2006, as long as any Series 2005 Bonds remain Outstanding. The Principal Payment Dates with respect to the Series 2009 Bonds are

February 15 of each year, beginning February 15, 2010, as long as any Series 2009 Bonds remain Outstanding.

“Project Fund” means the Leasehold Revenue Improvement Bonds Project Fund created and established, and/or ratified, in Section 502 of the Indenture.

“Project” means such project as may be authorized by the Corporation and financed with the issuance of Bonds pursuant to the Indenture and the Supplemental Indenture applicable thereto.

“Property” means the real property described in Schedule I of the Lease Agreement and situated in the City, including all streets and roads adjoining thereto, and all easements and rights of way now or hereafter used in connection therewith, together with all land lying in the bed of any street or road, open or proposed, in front of or adjoining such site to the center line thereof, now or hereafter used in connection with such site or any real property which the City substitutes for the property described on Tract II on such Schedule I.

“Rebate Fund” means the Leasehold Revenue Improvement Bonds Rebate Fund created and established, and/or ratified, in Section 601 of the Indenture.

“Record Date” shall have, with respect to any Series of Bonds, the meaning specified in the Indenture or in the Supplemental Indenture authorizing such Series of Bonds, but in no event shall be less than ten (10) days prior to the following Interest Payment Date or Maturity. The Record Date with respect to the Series 2000A Bonds, the Series 2001A Bonds, the Series 2005 Bonds, and the Series 2009 Bonds means, with respect to any Interest Payment Date, the first day (whether or not a business day) of the calendar month in which such Interest Payment Date occurs.

“Redemption Date” means, when used with respect to any Bond to be redeemed, the date fixed for redemption pursuant to the Indenture and the Supplemental Indenture applicable thereto.

“Redemption Notice Information” means information in a written and dated notice from the Trustee which (i) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any Series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (ii) identifies the date on which the notice is published and the Redemption Date, (iii) states the price at which the Bonds will be redeemed, (iv) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (v) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee, or at such other office as the Trustee may designate, during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part, and (vi) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

“Refunded Bonds” shall have, with respect to any Series of Bonds, the meaning specified in the Indenture or in the Supplemental Indenture authorizing such Series of Bonds. The Refunded Bonds with respect to the Series 2001A Bonds means the Outstanding Series 1996A Bonds maturing February 15, 2009 and thereafter. The Refunded Bonds with respect to the Series 2005 Bonds means a portion of the Series 2000A Bonds maturing on February 15, 2006 and the Series 2000A Bonds maturing on February 15, 2011 and thereafter. The Refunded Bonds with respect to the Series 2009 Bonds means the Outstanding Series 1996B Bonds maturing on February 15, 2012.

“Rentals” or *“Rent”* means those payments required to be made by the City pursuant to Section 4.1 of the Lease Agreement.

“Replacement Bonds” means the Bonds authenticated and delivered by the Bond Registrar pursuant to Section 206, Section 211, Section 214, and Section 303 of the Indenture.

“Resolution” means, with respect to any Series of Bonds, the Resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale, and delivery of such Series of Bonds, and the execution of certain documents related thereto in accordance with the Indenture, and any amendments or supplements thereto.

“S&P” means Standard & Poor’s, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *“S&P”* shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Second Supplemental Base Lease” means the Second Supplemental Base Lease by and between the City and the Corporation, dated as of September 1, 2005.

“Second Supplemental Lease Agreement” means the Second Supplemental Lease Purchase Agreement by and between the Corporation and the City, dated as of September 1, 2005.

“Series” means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to Section 209 or Section 210 of the Indenture, or pursuant to the Supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

“Series 1996 Bonds” means the Series 1996A Bonds and the Series 1996B Bonds.

“Series 1996A Bonds” means the Corporation’s City Justice Center Leasehold Revenue Improvement Bonds, Series 1996A, dated as of August 1, 1996.

“Series 1996B Bonds” means the Corporation’s City Justice Center Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, dated as of August 1, 1996.

“Series 2000A Bonds” means the Corporation’s City Justice Center Leasehold Revenue Improvement Bonds, Series 2000A, dated as of January 1, 2000.

“Series 2000A Financial Guaranty Insurance Policy” means the municipal bond insurance policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Series 2000A Bonds as provided therein.

“Series 2001A Bonds” means the Corporation’s City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee), dated as of September 1, 2001.

“Series 2001A Financial Guaranty Insurance Policy” means the financial guaranty insurance policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Series 2001A Bonds as provided therein.

“*Series 2005 Bonds*” means the Corporation’s City Justice Center Leasehold Revenue Refunding Bonds, Series 2005 (City of St. Louis, Missouri, Lessee), dated as of September 1, 2005.

“*Series 2005 Financial Guaranty Insurance Policy*” means the financial guaranty insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 2005 Bonds as provided therein.

“*Series 2005 Guaranty Agreement*” means the Guaranty Agreement dated as of September 1, 2005 by and between the City and Ambac.

“*Series 2005 Resolution*” means the Resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale, and delivery of the Series 2005 Bonds and the execution of certain documents related thereto.

“*Series 2005 Surety Bond*” means the surety bond issued by Ambac in the amount of \$1,637,788.73 which guarantees payment into the Debt Service Reserve Fund with respect to the Series 2005 Bonds as provided therein and subject to the limitations set forth therein.

“*Series 2009 Bonds*” means the City Justice Center Leasehold Revenue Refunding Bonds, Series 2009 (City of St. Louis, Missouri, Lessee) (authorized by the City as the “Series 2006 Bonds”), dated as of the date of delivery thereof, issued by the Corporation pursuant to the Master Indenture and the First Restatement.

“*State*” means the State of Missouri.

“*Stated Maturity*” means, when used with respect to any Bond, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Bonds as the fixed date on which the principal of such Bond is due and payable.

“*St. Louis Jail Facilities*” means the existing Medium Security Correctional Facility, improvements to be acquired, constructed, installed, and equipped, if any, situated on the Property described on Schedule I of the Lease Agreement, together with all improvements and equipment thereon, the City Justice Center, and any additional jail facilities constructed with the proceeds of Additional Bonds.

“*Supplemental Base Lease*” means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation pursuant to Section 7.3 of the Base Lease.

“*Supplemental Indenture*” means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to Article XI of the Indenture.

“*Supplemental Lease Agreement*” means any lease purchase agreement supplemental or amendatory to the Lease Agreement entered into by the Corporation and the City pursuant to Article XIV of the Lease Agreement and Article XII of the Indenture.

“*Term*” or “*Lease Term*” means the term of the Lease Agreement beginning as of August 1, 1996 and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City or (iv) upon the discharge of the Indenture as provided in the Indenture.

“Third Supplemental Base Lease” means the Third Supplemental Base Lease by and between the City and the Corporation, dated as of October 1, 2009.

“Third Supplemental Lease Agreement” means the Third Supplemental Lease Purchase Agreement by and between the Corporation and the City, dated as of October 1, 2009.

“Tract I” means the Property described as Tract I on Schedule I of the Lease Agreement upon which the Medium Security Correctional Facility is currently situated.

“Tract II” means the Property described as Tract II on Schedule I of the Lease Agreement upon which the City Justice Center is currently situated.

“Tract III” means the Property constituting an easement benefitting the City Justice Center and described as Tract III on Schedule I of the Lease Agreement.

“Treasurer” means the Treasurer of the City.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“Trustee” means UMB Bank, N.A., formerly known as UMB Bank of St. Louis, N.A., a national banking association duly organized and existing under the laws of the United States of America, authorized to accept and execute trusts of the character set forth in the Indenture, and having its principal corporate trust office located in the City of Kansas City, Missouri, and its successors and assigns.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills, or other securities constituting direct obligations of the United States of America or obligations the payment of the principal of and interest of which are fully and unconditionally guaranteed by the United States of America.

“Value” means the value, determined as of the end of each month, of Permitted Investments and/or Defeasance Obligations (together, “investments”) which shall be calculated as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Interactive Data Corporation, Bank of America, N.A., JP Morgan Chase & Co., and Citi Smith Barney.

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon.

(c) As to any investment not specified above: the value thereof established by prior agreement among the Corporation, the Trustee, and the Credit Provider.

“Written Request” with reference to the Corporation means a request in writing signed by the Corporation Representative and with reference to the City means a request in writing signed by the City Representative, or any other officers designated by the Corporation or the City, as the case may be, to sign such Written Requests.

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APPENDIX D
SUMMARIES OF LEGAL DOCUMENTS

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APPENDIX D SUMMARIES OF LEGAL DOCUMENTS

SUMMARY OF BASE LEASE

The following is a summary of certain provisions of the Base Lease, dated as of August 1, 1996, by and between the City and the Corporation, as amended by the First Supplemental Base Lease, dated as of February 1, 2000, the Second Supplemental Base Lease, dated as of September 1, 2005, and the Third Supplemental Base Lease, dated as of October 1, 2009 (collectively the “*Base Lease*”). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Base Lease.

Lease of Property

Pursuant to the Base Lease, the City demises and leases to the Corporation the Property currently under its control and management and the Corporation leases from the City such Property upon the terms and conditions therein provided, and with respect to the Property, subject to Permitted Encumbrances, for a Base Lease Term which commenced as of the Dated Date of the Series 1996 Bonds and which shall end February 15, 2040; provided, however, that if the Bonds have been paid in full at maturity or defeased pursuant to Article XIII of the Master Indenture and the City has not been required to surrender possession of the Property due to an Event of Non-Appropriation or an Event of Default under the Lease Agreement, the Base Lease will terminate upon such payment in full or defeasance.

Under the Base Lease, the City agrees to acquire the Property not now owned by it and to acquire real or personal property, construct, equip, and install furnishings and equipment for the St. Louis Jail Facilities including the City Justice Center, and leases and demises such Property, subject to Permitted Encumbrances, to the Corporation upon the terms and conditions set forth in the Base Lease. Upon acquisition of any Property not now owned by the City, the same shall become a part of the Property leased thereunder, together with all improvements in respect of any Property hereafter acquired, constructed, equipped, or installed by the City, and shall be subject to all the terms, covenants, conditions, and provisions therein contained, without further action on the part of either party.

The Base Lease may be terminated with respect to Tract I of the Property described in Schedule I to the Lease Agreement, but only as to such Tract I property and all improvements and equipment located thereon, with the consent of Ambac, on or after the date on which payment of principal and interest on all the Series 1996B Bonds has been made or provided for pursuant to Section 1301 of the Indenture.

Base Lease Rent

As and for rental under the Base Lease (the “Base Lease Rent”) and in consideration of the leasing of the Property to the Corporation thereunder, and in order to provide funds for a portion of the Costs of the Project, the Corporation shall:

- (a) issue, sell, and cause to be delivered to the purchasers thereof the Bonds in one or more Series in the principal amount, bearing interest, maturing, and having the other details as set forth in the Master Indenture and any Supplemental Indenture; and
- (b) deposit the proceeds of the sale of each Series of Bonds as provided in the Master Indenture and any Supplemental Indenture.

Termination

The Base Lease shall terminate as described above; provided, however, in the event the City pays all Rentals and Additional Rentals and exercises thereafter the option to purchase the Corporation's interest in the remaining Base Lease Term as provided in the Lease Agreement, then the Base Lease shall be considered assigned to the City and terminated through merger of the leasehold interest with the fee interest in the real estate described in Schedule I, if the City is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Corporation. The Corporation agrees, upon such assignment and termination of the Base Lease Term, to quit and surrender the Property as it then exists.

If an Event of Default under the Lease Agreement occurs for any reason, or if the City terminates the Lease Agreement and fails to purchase the corporation's interest in the St. Louis Jail Facilities as provided in the Lease Agreement, the Corporation shall have the right to possession thereof for the remainder of the Base Lease Term and shall have the right to sublease the same or, sell its interest therein and in the Base Lease upon whatever terms and conditions it deems prudent; provided, that the St. Louis Jail Facilities shall always be operated for a lawful purpose. In such event, if the City so requests, the Corporation shall provide the City with adequate public liability insurance covering the St. Louis Jail Facilities for the remainder of the Base Lease Term and will furnish the City with evidence thereof. In the event the Corporation shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith, including the fees and expenses of the Trustee, in excess of the purchase price applicable under Section 10.1 of the Lease Agreement at the time of termination or default plus interest thereon at the interest rate per annum borne by the Bonds (which must be an amount sufficient to pay the principal of and all interest on the Bonds, or to provide for the payment thereof as provided in Article XIII of the Master Indenture, with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the City by the Corporation, its assigns or its sublessee.

SUMMARY OF LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement, dated as of August 1, 1996, by and between the Corporation and the City, as amended by the First Supplemental Lease Agreement, dated as of February 1, 2000, the Second Supplemental Lease Agreement, dated as of September 1, 2005, and the Third Supplemental Lease Agreement, dated as of October 1, 2009 (collectively the "*Lease Agreement*"). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease Agreement.

Conveyance; Granting of Leasehold

The Corporation, pursuant to the Lease Agreement, rents, leases and sublets the Property currently under its control and management, subject to Permitted Encumbrances, unto the City and the City rents and leases such Property, subject to Permitted Encumbrances, from the Corporation for the Rentals and Additional Rentals and subject to the terms and conditions set forth in the Lease Agreement. The Corporation leases and demises such additional Property acquired by the City and leased to the Corporation pursuant to the Base Lease, subject to Permitted Encumbrances, to the Corporation upon the terms and conditions provided in the Lease Agreement. Upon acquisition by the Corporation of a leasehold interest in any Property not now owned by the City, the same shall become a part of the Property leased under the Lease Agreement, together with all improvements in respect of any Property hereafter acquired, constructed, equipped, or installed by the City, and shall be subject to all the terms, covenants, conditions, and provisions contained in the Lease Agreement, without further action on the part of either party.

The City shall take all necessary steps on or prior to the date of closing of the Series 1996 Bonds to provide the Corporation with a valid and binding first lien upon its leasehold interest in the St. Louis Jail Facilities and will provide the Corporation with an opinion of counsel to the City that all necessary action related thereto, including, but not limited to, the timely filing of financing statements, have been taken. The City agrees to execute and deliver to the Corporation, upon the Corporation's request, any financing statements, as well as extensions, renewals, and amendments thereof, in such form as the Corporation may require to perfect a security interest with respect to said items and with respect to its leasehold interest in the St. Louis Jail Facilities.

Term of Lease Agreement; Termination; Annual Appropriation Required

The Term of the Lease Agreement shall commence as of the Dated Date and shall terminate on the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to Section 12.2 of the Lease Agreement; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City; or (iv) discharge of the Indenture as provided in Article XIII of the Master Indenture. The Term of the Lease Agreement may be terminated with respect to Tract I of the Property described in Schedule I to the Lease Agreement, but only as to such Tract I property and all improvements and equipment located thereon, with the consent of Ambac, on or after the date on which payment of principal and interest on all the Series 1996B Bonds has been made or provided for pursuant to Section 1301 of the Indenture.

The expiration or termination of the term of the Lease Agreement as to the City's right of possession of the St. Louis Jail Facilities shall terminate the City's rights of use of the St. Louis Jail Facilities; provided, however, that all other terms of the Lease Agreement and the Indenture, including the continuation of the City's purchase right under Section 10.1 of the Lease Agreement and all obligations of the Trustee with respect to the Holders of the Bonds and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is discharged, as provided in the Master Indenture, except that all obligations of the City to pay any amounts to the Holders and the Trustee under the Lease Agreement shall thereafter be satisfied only as provided in the Indenture and, with respect to an Event of Non-Appropriation prior to such expiration or termination as provided in the Lease Agreement, are payable prior to the termination of the Lease Agreement. The termination or expiration of the Term of the Lease Agreement, of itself, shall not discharge the lien of the Indenture.

Subject to the provisions described in the following two paragraphs, the payment obligations of the City under the Lease Agreement shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution, or set-off whatsoever and shall be sufficient to provide all funds required for debt service on the Bonds, funding of the Debt Service Reserve Fund, and all other amounts required under the Indenture.

Nothing in the Lease Agreement shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals (except as theretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Lease Agreement, the City, upon the request of the Trustee or the Corporation, will immediately quit and vacate the St. Louis Jail Facilities, and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and then available for such purpose) shall thereupon cease, and the City will not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease Agreement, except as provided therein. If the City fails to pay any required Rentals or Additional Rentals, the Trustee may bring legal action to evict the City from the St. Louis Jail Facilities. No judgment may be entered against the City for failure to pay any Rentals or Additional Rentals, except to the extent that the City has

therefore incurred liability to pay such Rentals or Additional Rentals through its actual use and occupancy of the St. Louis Jail Facilities.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease Agreement are from year to year, and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease Agreement is to be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery, and performance of the Lease Agreement nor the issuance of the Bonds directly or indirectly or contingently obligates the City to make any payments under the Lease Agreement beyond those appropriated for the City's then current Fiscal Year; provided, however that nothing in the Lease Agreement shall be construed to limit the rights of the Bondholders or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

The City covenants and agrees in the Lease Agreement that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request or requests for the Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year so that the City's Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the City's Rentals and Additional Rentals to provide financing for the Project pursuant to the Lease Agreement shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects, in each Fiscal Year of the City during the Lease Term, to appropriate funds for the City to provide financing for the Project in an amount sufficient to pay principal of, interest on and redemption premium, if any, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Agreement after the budget is adopted and in no event later than July 1st of each year.

The City shall give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Lease Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals and reasonably estimated Additional Rentals during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of reasonably estimated Additional Rentals as shall be required during such Fiscal Year by the terms of the Lease Agreement. If the Trustee does not receive such notice the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest, and obligations under the Lease Agreement shall terminate without penalty on the last day of the then current Fiscal Year. Failure of the City to budget and appropriate prior to July 1 of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute termination of the Lease Agreement at the end of the Fiscal Year then in effect, and failure to give notice to the Corporation of such termination as theretofore provided shall not affect such automatic termination.

Subject to the provisions described above with respect to the failure of the City to budget or appropriate funds to pay the Rentals and a reasonable estimate of Additional Rentals, the City intends to

continue the Lease Term, and to pay the Rentals and Additional Rentals under the Lease Agreement. The City states in the Lease Agreement that it reasonably believes legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained and, in addition to using its bonafide best efforts to accomplish the same, shall exhaust all available administrative review and appeals, if any, in the event such portion of the budget request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term is to be made in accordance with the City's normal procedures for such decisions.

Use of Premises

The City shall have the right to use, occupy, or operate the St. Louis Jail Facilities for any lawful public purpose with respect to the Project and shall not use, occupy, or operate the St. Louis Jail Facilities to as to make void or voidable any insurance then in force with respect thereto and will not take any action which would cause interest on the Bonds to become subject to federal or Missouri income taxes.

Rentals

The City, subject to the provisions described above, agrees in the Lease Agreement to pay or cause to be paid (the latter with respect to amounts to be paid pursuant to the Pledge Agreement) the amounts required as follows:

Until the principal of, interest and premium, if any, on the Bonds shall have been fully paid or the provision for the payment thereof shall have been made in accordance with Article XIII of the Master Indenture, the City shall pay or cause to be paid to the Trustee, as assignee of the Corporation, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Project, amounts which shall correspond to the payments of principal of, interest and premium, if any, on the Bonds whenever and in whatever manner the same shall become due, whether at Stated Maturity, upon redemption or acceleration or otherwise.

The City covenants and agrees in the Lease Agreement that it will pay, or cause to be paid, at such times and in such amounts funds sufficient to assure that no default in the payment of principal of, interest and premium, if any, on the Bonds shall at any time occur. If the balance available in the Bond Account in the Bond Fund for any Series of Bonds (not subject to the lien of the Trustee under Section 1002 of the Master Indenture) and in the Pledged Revenue Account in the Bond Fund, as of the date of the notice provided to the City and Corporation pursuant to Section 502 of the applicable Supplemental Indenture, is less than the sum required to make the payment of principal of, interest and premium, if any, on such Series of Bonds then payable in accordance with the provisions described in the Lease Agreement relating to Rentals, the City shall forthwith pay as Rentals any such deficiency to the Trustee for deposit in the applicable Bond Account of the Bond Fund for such Series of Bonds in immediately available funds.

If the balance available in the Bond Account of the Bond Fund for any Series of Bonds (not subject to the lien of the Trustee under Section 1002 of the Master Indenture) and in the Pledged Revenue Account, as of the date of the notice provided to the City and Corporation pursuant to Section 502 of the applicable Supplemental Indenture, is equal to or greater than the sum required to make the payment of principal of, interest and premium, if any, on such Series of Bonds then payable in accordance with the provisions of Section 4.1 of the Lease Agreement, the City shall not be obligated to pay Rentals. In such event, all further applications of any amounts remaining in the Pledged Revenue Account shall be as effectuated pursuant to the Indenture and Section 4 of the Pledge Agreement. In such event, any amounts remaining in the account or subaccount of the Bond Fund for any Series of Bonds (not subject to the lien of the Trustee under Section 1002 of the Master Indenture) shall remain on deposit in such account or

subaccount of the Bond Fund to be expended pursuant to the second paragraph, clause FIRST, of Section 502 of the applicable Supplemental Indenture.

The City covenants and agrees in the Lease Agreement to make or cause to be made the payments of Rentals to the Trustee at its principal corporate trust office for the account of the Corporation during the Lease Term on or before 11:00 A.M., Trustee's local time, in the appropriate amount and on the Rental payment dates as described in the Lease Agreement. All Rentals shall be deposited with the Trustee in accordance with the provisions of the Indenture and shall be used and applied by the Trustee in the manner and for the purpose set forth in the Indenture.

Additional Rentals

The City shall pay or cause to be paid, subject to annual appropriation, the following as Additional Rentals:

- a) Fees, charges and expenses of the Trustee under the Indenture;
- b) Impositions;
- c) Such further sums of money, in cash, as may be required from time to time to the extent that adequate funds are not available to pay all principal of, and all interest, and any redemption premium accruing on, the Bonds, as the same become due and payable;
- d) All costs incident to the payment of principal of and interest on the Bonds, as the same shall become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Bonds which amounts shall be deposited in the Bond Fund;
- e) The payments, if any, which the City is required under the Lease Agreement to deposit into the Debt Service Reserve Fund pursuant to the procedure set forth in the Indenture;
- f) All reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Agreement or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Base Lease, the Lease Agreement, or the Indenture;
- g) All reasonable fees and expenses of a Credit Provider, if any, for the provision of any Credit Enhancement, including any reimbursements and any amounts owing under any credit agreement;
- h) All reasonable and necessary fees and expenses the Corporation incurred in connection with any Bonds or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation or a qualified 501(c)(3) corporation; and
- i) All amounts required to be rebated to the United States as provided in the Indenture.

Rentals and Additional Rentals Payable without Abatement or Setoff

Subject to annual appropriation, the City covenants and agrees in the Lease Agreement for the express benefit of the Corporation and the owners of the Bonds from time to time Outstanding that all payments of Rentals and Additional Rentals shall be made by the City on or before the date the same becomes due, and the City shall perform all of its other obligations, covenants, and agreements under the Lease Agreement (including the obligation to pay Rentals and Additional Rentals) without notice or

demand, and without abatement, offset, dedication, setoff, counterclaim, recoupment, or defense or any right of termination or cancellation arising from any circumstance whatsoever, and shall be sufficient to provide all funds required for debt service on the Bonds, funding of the Debt Service Reserve Fund, and all other amounts required under the Indenture.

The obligation of the City to pay Rentals and Additional Rentals is subject to annual appropriation and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory, or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year plus any unencumbered balances from previous years.

Impositions

The City shall, subject to annual appropriation, during the Lease Term, bear, pay, and discharge, before the delinquency thereof, as Additional Rentals, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed, or imposed upon or against or be payable for or in respect of the St. Louis Jail Facilities or the Corporation's or the City's interest in the St. Louis Jail Facilities or the income therefrom or Rentals and other amounts payable under the Lease Agreement, which, if not paid when due would impair the security of the Bonds or encumber the City's title to the St. Louis Jail Facilities (all of the foregoing being referred to as "*Impositions*").

Liability Insurance

The Lease Agreement provides that the City under its customary insurance practice (which may include self-insurance subject to availability of appropriation therefor) or otherwise, must take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the St. Louis Jail Facilities or any part thereof during the term of the Lease Agreement. Such policy or policies are required to name the Trustee as an additional insured. The net proceeds of all such self-insurance or other insurance is to be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid.

Property Insurance

The City, under its customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, must take such measures as may be necessary or appropriate in accordance with sound business practices to insure the St. Louis Jail Facilities to the extent insurable against loss included in all risk insurance policies then in use in the State. Any such insurance may be subject to reasonable deductibles and shall name the Trustee as an additional insured. Any self-insurance program and the principal amount of Outstanding Bonds shall be established and maintained in accordance with the City's customary insurance practices.

Title Insurance

The City shall obtain title insurance for the Property in an aggregate amount not less than the Outstanding principal amount of the Bonds.

Assignment by the Corporation

Pursuant to the Granting Clauses of the Master Indenture, the Corporation assigned the Lease Agreement and all rights and interests of the Corporation under the Lease Agreement, including the pledging and granting of a security interest in all moneys receivable under the Lease Agreement (except for payments under clauses (f), (g), (h), and (i) of the description of Additional Rentals, and its right to indemnification under the Lease Agreement) and in the St. Louis Jail Facilities to the Trustee as a security for the payment of principal of, premium, if any, and interest on the Bonds.

Assignment, Subleasing, and Licensing by the City

The Lease Agreement may not be assigned by the City without the written consent of the Corporation. However, the St. Louis Jail Facilities, or any part thereof, may be subleased by the City, in whole or in part, without the consent of the Corporation and the Credit Provider, subject, however, to each of the following conditions:

(a) The Lease Agreement and the obligation of the City to pay Rentals and Additional Rentals thereunder and to perform all of the terms, covenants and conditions of the Lease Agreement and of any other security document to which it shall be a party remain obligations of the City and any assignee or transferee or sublessee of the City shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement on the part of the City to be kept and performed and shall be jointly and severally liable with the City for the performance thereof, and shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State, and in the opinion of Counsel, such assignment or transfer or sublease does not legally impair in any respect the obligations of the City for the payment of all Rentals nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other security documents to which the City is a party, nor impair or limit in any respect the obligations of any obligor under any other security documents.

(b) The City is required within ten (10) days after the delivery of a sublease, to furnish or cause to be furnished to the Corporation, the Credit Provider and the Trustee a true and complete copy of such sublease.

(c) No sublease by the City shall cause the St. Louis Jail Facilities or any portion thereof being subleased to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the constitution and laws of the State and the Charter of the City.

(d) Before entering into any sublease, the City shall obtain and file with the Trustee and the Corporation an opinion from Bond Counsel to the effect that the sublease will not cause the interest on the Bonds to become subject to federal or Missouri income taxes.

(e) Notification to Moody's.

The City may grant licenses to use all or any portion of the Property in the normal course of business without the consent of the Corporation or the Credit Provider.

Maintenance, Repairs, and Modifications

The City shall, at its own expense, maintain, preserve, and keep the St. Louis Jail Facilities in good repair and condition, and shall from time to time make all repairs, replacements, and improvements necessary to keep the St. Louis Jail Facilities in such condition. In addition, the City shall, at its own expense, have the right to make additions, modifications, and improvements to the St. Louis Jail Facilities

or any part thereof. Such additions, modifications, and improvements shall not in any damage the St. Louis Jail Facilities nor cause it to be used for purposes other than those authorized under the provisions of municipal, State, and federal law; and the St. Louis Jail Facilities upon completion of any additions, modifications, and improvements so made, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications, and improvements.

Liens

The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the St. Louis Jail Facilities or any part thereof (except for Permitted Encumbrances), other than the respective rights of the Corporation and the City as provided in the Lease Agreement and in the Base Lease. The City shall have the right to contest the validity or amount of any lien in accordance with the provisions of the Lease Agreement.

City's Option To Purchase Corporation's Interest

The City has the option to purchase the Corporation's leasehold interest in the St. Louis Jail Facilities and to terminate the Base Lease and the Lease Agreement at any time during the Base Lease Term (subject to the requirements of the Lease Agreement) upon payment of the principal, interest and redemption premium, if any, on the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. Except as otherwise provided in the Lease Agreement, the City will give at least sixty (60) days written notice to the Corporation and to the Trustee of its intent to exercise the option and so terminate the Lease Agreement. Payment of the final Rentals and Additional Rentals constitutes exercise of the option granted in the Lease Agreement without further action by the City.

If the City receives notice of an Event of Default with respect to a default by the Corporation in the due and punctual payment of any interest on any Bond or in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, the City also has the option to purchase the Corporation's leasehold interest in the St. Louis Jail Facilities under the Base Lease and to terminate the Lease Agreement upon payment of the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. The City must give notice of its intent to exercise such option to the Corporation and the Trustee not later than ninety (90) days after receipt of notice of any such Event of Default and must make such payment no later than ninety (90) days after it has given such notice.

Damage, Destruction and Condemnation; Use of Net Proceeds

Unless the City has exercised its option to purchase the Corporation's interest under the Base Lease and terminate the Lease Agreement as described above, if all of the St. Louis Jail Facilities are destroyed or damaged by fire or other casualty, or if title to or the temporary use of the St. Louis Jail Facilities or the interest of the City or the Corporation therein is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm, or corporation acting under governmental authority, the City is required, subject to the following paragraph, to cause the net proceeds of any insurance or condemnation award to be applied to the prompt repair, restoration, modification, or improvement of the St. Louis Jail Facilities by the City, free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed is to be applied as provided in the Indenture.

If the City determines that repair, restoration, modification, or improvement of the St. Louis Jail Facilities is not economically feasible or in the best interest of the City, then, in lieu of making such

repair, restoration, modification, or improvement, the City is required to make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, any such net proceeds shall be applied by the City to the payment of the Outstanding Bonds called for redemption, and shall pay the fees and expenses of the Corporation and the Trustee, together with all amounts due under the Indenture and under the Lease Agreement, and all amounts required to be rebated to the federal government pursuant to the Indenture or the Non-Arbitrage Certificate.

Insufficiency of Net Proceeds

If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification, or improvement of the St. Louis Jail Facilities in accordance with the Lease Agreement, subject to the appropriation of sufficient funds, the City is required to complete the work and pay any costs in excess of the amount of the net proceeds. If the City makes any such payments, it will not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease Agreement.

Event of Non-Appropriation

If an event of Non-Appropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

If an Event of Non-Appropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Rentals provided for in the Lease Agreement beyond the last day of the Fiscal Year during which such Event of Non-Appropriation occurs, except for the City's obligation to make payments which are payable prior to the termination of the Lease Agreement; provided, however, that the City shall continue to be liable for the amounts payable during such time when the city continues to occupy the St. Louis Jail Facilities. The Trustee shall, upon the occurrence of an Event of Non-Appropriation, have all rights and remedies granted to it under the Indenture and as secured creditor under Missouri law, as trustee for the benefit of Holders of the Bonds, and shall be further entitled to all monies then on hand in all funds and accounts created under the Indenture. All property, funds, and rights acquired by the Trustee by reason of an Event of Non-Appropriation shall be held by the Trustee under the Indenture for the benefit of the holders of the Bonds as set forth in the Indenture until the Bonds are paid in full.

Non-Substitution Covenant

The City covenants and agrees in the Lease Agreement that, to the extent permitted by law, if an Event of Default described in the Lease Agreement occurs with respect to the City, the City will not construct, own, or operate any jail facility not in existence at the time such Event of Default occurs during the sixty (60) day period subsequent to such Event of Default. Notwithstanding any provision in the Lease Agreement to the contrary, this provision survives the termination of the Lease Agreement and remains in effect and will be binding upon the City.

Termination of Lease Term

The Lease Term shall terminate as to the City, including the City's right to possession of the St. Louis Jail Facilities, upon the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with

respect to the City; (ii) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City; or (iv) discharge of the Indenture as provided therein. The Term of the Lease Agreement may be terminated with respect to Tract I of the Property described in Schedule I to the Lease Agreement, but only as to such Tract I property and all improvements and equipment located thereon, with the consent of Ambac, on or after the date on which payment of principal and interest on all the Series 1996B Bonds has been made or provided for pursuant to Section 1301 of the Indenture.

Remedies Regarding City Defaults

Upon the occurrence of an Event of Default by the City pursuant to the Lease Agreement or the Base Lease, resulting in an Event of Default on the Bonds pursuant to the Indenture, the City shall have the exclusive right to purchase from the Corporation the leasehold interest in the St. Louis Jail Facilities, or any part thereof for a period of 90 days from the date of such default for the amount of the principal on the Bonds then Outstanding plus accrued interest to such date of default. Notwithstanding the foregoing, the Corporation and the Trustee may also exercise the remedies described below. Notwithstanding anything in the Lease Agreement to the contrary, the Trustee shall be entitled to sublease the St. Louis Jail Facilities, or any part thereof, to any entity, public or private, for such period as is necessary for the Trustee to obtain sufficient monies to pay in full the principal of, redemption, premium, if any, and interest on the Bonds, and the obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds shall continue until the lien of the Indenture is discharged as provided therein.

Events of Default

The following shall be “Events of Default” under the Lease Agreement:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease Agreement.

(b) Failure by the City to observe and perform any covenant, condition, or agreement on its part to be observed or performed, other than as described in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City to promptly lift any execution, garnishment, or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may be enacted after the entering into of the Lease Agreement.

(d) Failure by the City to vacate the St. Louis Jail Facilities by the expiration of the current Fiscal Year during which an Event of Non-Appropriation occurs.

The provisions described above are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease Agreement, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation and the Trustee. The term “force majeure” shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies, or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default

Whenever any Event of Default described above shall have happened and be continuing, the Corporation or the Trustee, with the consent of the Credit Provider, has the right, at its option and without any further demand or notice, to take any one or more of the following remedial steps:

(a) By written notice to the City, declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) With or without terminating the Lease Agreement, take possession of the St. Louis Jail Facilities, in which event the City shall vacate the St. Louis Jail Facilities and take all actions necessary to authorize, execute, and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City’s interest in and to the St. Louis Jail Facilities, sell the Corporation’s (or its assignee’s) interest in the Base Lease, or lease the St. Louis Jail Facilities and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion with the City remaining liable, subject to the annual appropriation, for the difference between (i) Rentals and Additional Rentals payable by the City under the Lease Agreement during the Lease Term and (ii) the net proceeds or any purchase price, rents, or other amounts paid by the new purchaser, lessee or sublessee of the St. Louis Jail Facilities and, provided further, that in such event, if the Corporation shall receive a payment for sale of its interest or total sub-rentals for sublease that are, after payment of the Corporation’s expenses in connection therewith, in excess of the purchase price applicable under the Lease Agreement at the time of default plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns, or by its sublessee; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Lease Term or enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease Agreement; or

(d) Upon the occurrence and continuance of an Event of Non-Appropriation, the Trustee subject to the provisions of the Indenture is required to give notice to the City to vacate the St. Louis Jail Facilities immediately (but in no event earlier than the expiration of the then current Fiscal Year for

which the Lessee has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and must, without any further demand or notice, (i) terminate the Lease Agreement, re-enter the St. Louis Jail Facilities and eject all parties in possession thereof therefrom, and, sublease the St. Louis Jail Facilities or (ii) take any action at law or equity deemed necessary or desirable to enforce its rights with respect to the St. Louis Jail Facilities.

SUMMARY OF INDENTURE

The following is a summary of certain provisions of the Indenture of Trust, dated as of August 1, 1996, by and between the Corporation and the Trustee, as amended by the First Supplemental Indenture of Trust, dated as of August 1, 1996, the Second Supplemental Indenture of Trust, dated as of February 1, 2000, the Third Supplemental Indenture of Trust, dated as of September 1, 2001, the Fourth Supplemental Indenture of Trust, dated as of September 1, 2005, and the First Restatement and Fifth Supplemental Indenture of Trust, dated as of October 1, 2009 (collectively the “*Indenture*”). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture.

Trust Estate

Pursuant to the Indenture, the Corporation, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and redemption premium, if any, and to secure the performance and observance by the Corporation of the covenants, agreements, and conditions in the Indenture and in the Bonds contained, does, subject to the Lease Agreement, grant, bargain, and sell; mortgage, warrant, convey, and confirm; and pledge, assign, and grant a security interest in all and singularly the following property (said property being referred to as the “*Trust Estate*”) unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Bondholders:

1. All leases of the Trust Estate, or portions thereof, now or hereafter entered into and all right, title, and interest of the Corporation thereunder.
2. All right, title, and interest of the Corporation (including the right to enforce any of the terms thereof) in, to, and under:
 - (a) the Base Lease,
 - (b) the Lease Agreement and all Rentals and Additional Rentals and certain other revenues, moneys, and receipts pursuant to the Lease Agreement or otherwise available to secure the Bonds, except the amounts described in subsections (f), (g), (h), and (i) of the definition of Additional Rentals contained in the Lease Agreement and the Corporation’s rights to indemnification under the Lease Agreement,
 - (c) all revenues, moneys, and receipts derived by the Corporation pursuant to the Pledge Agreement,
 - (d) all financing statements or other instruments or documents evidencing, securing, or otherwise relating to the Lease Agreement, and
 - (e) any and all real and personal property interests, including but not limited to, equipment of the Corporation acquired by the Corporation in connection with the Project pursuant to the Base Lease and the Lease Agreement, subject to paragraph (b) above.

3. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund, and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned, or transferred as and for additional security under the Indenture by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is by the Indenture authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Nature of Obligations

The Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the Rentals and other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease Agreement and other revenues, moneys and receipts derived by the Trustee pursuant to the Pledge Agreement, and are secured by a pledge and assignment of the Trust Estate to the Trustee in favor of the Bondholders, as provided in the Indenture, and no incorporator, member, agent, employee, director, or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation under the Indenture or thereunder. The Bonds and the interest thereon shall not be a debt of the City or the State and the City and the State shall not be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Method and Place of Payment of Bonds

Payment of the principal of and redemption premium, if any, shall be made by the Paying Agent upon the presentation and surrender of such Bonds at their respective Maturities by check or draft at the principal corporate trust office of the Paying Agent, or at such other office as the Paying Agent may designate. Payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the Registered Owner thereof at the close of business on the Record Date next preceding said Interest Payment Date by check or draft mailed to such Bondholder at his address as it appears on the Bond Register. Upon written request delivered to the Paying Agent at least five (5) days prior to a Record Date by the Holder, as of the Record Date, of at least One Million Dollars (\$1,000,000) principal amount of the Bonds, principal of and interest on the Bonds payable subsequent to the Record Date on or after which such notice is received shall be made by wire transfer to an account designated by such Holder, such written notice to include the name and ABA routing number of the Bank to which such transfer is to be made, or in such other manner as such Bondholder and the Paying Agent may determine. Notwithstanding any of the foregoing, any interest on the Bonds which is payable, but is not punctually paid or duly provided for on any Interest Payment Date (herein called "*Defaulted Interest*"), shall be paid to the persons in whose names the Bonds are registered at the close of business on a special record date established by the Trustee, which shall not be more than fifteen (15) days nor less than ten (10) days prior to the date of the proposed payment of such interest.

Registration, Transfer, and Exchange of Bonds

Subject to any restrictions imposed by the Indenture or by any Supplemental Indenture relating to global bond certificates in the event Bonds are issued in book-entry only form, Bonds may be transferred in the Bond Register only upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the Registered Owner thereof or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds, registered in the name of the transferee, of any denomination or

denominations authorized by the Indenture or the Supplemental Indenture authorizing such Bonds in an aggregate principal amount equal to the principal amount of such Bond, of the same Series and Stated Maturity and bearing interest at the same rate.

Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, or at such other office as the Trustee may designate, together with a written instrument of transfer duly executed by the Registered Owner thereof or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and Stated Maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate.

No service charge shall be made to any Bondholder for registration, transfer, or exchange of Bonds, but the Corporation or the Trustee may make a charge for every such exchange or transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such transfer or exchange shall be completed. The Corporation or the Trustee may impose a charge against a Bondholder for the reimbursement of any governmental charge required to be paid in the event that such Bondholder fails to provide a correct taxpayer identification number to the Trustee. Such charge may be deducted from an interest or principal payment due to the Bondholder.

Neither the Corporation nor the Trustee shall be required (i) to issue, transfer, or exchange any Bond during a period beginning at the opening of business fifteen (15) days preceding the date of mailing a notice of redemption for Bonds selected for redemption under Section 303 and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Persons Deemed Owners of Bonds

The person in whose name any Bond shall be registered shall be deemed and regarded by the Corporation, the Trustee, and the Paying Agent as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment thereof or on account thereof and for all purposes, and none of the Corporation, the Trustee, or the Paying Agent shall be affected by notice to the contrary. Payment of or on account of the principal of, and redemption premium, if any, and interest on any Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effective to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the any other Outstanding Additional Bonds, at any time and from time to time upon compliance with the conditions provided in this Section, for the purpose of: (a) paying the Costs of completing the Project, such Cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative with the prior written consent of the Credit Provider, or (b) providing funds for refunding all or any part of the Bonds then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date, and any expenses in connection with such refunding.

Except as to any difference in the Dated Date, the Stated Maturities, and the rate or rates of interest or the provisions for redemption, such Additional Bonds shall be entitled to the same benefit and security of the Indenture as all other Bonds. No Refunding Bonds shall be issued to refund all or a portion of Bonds Outstanding unless such Outstanding Bonds shall be deemed defeased under the Indenture upon completion of such refunding and the total debt service due shall be no greater than such total debt service would have been without the refunding of such Outstanding Bonds.

Description of Series 2009 Bonds

The Series 2009 Bonds shall be dated the Dated Date and shall be in Authorized Denominations of five thousand dollars (\$5,000) or any integral multiple thereof not exceeding the principal amount of Series 2009 Bonds becoming due on the Stated Maturity of such Bond. The Series 2009 Bonds shall have the Stated Maturities and shall bear interest at the rates as follows:

STATED MATURITY FEBRUARY 15	PRINCIPAL AMOUNT	INTEREST RATE
2010	\$1,425,000	3.000%
2011	3,030,000	1.800
2012	3,045,000	2.400
2012	2,420,000	4.000

The Series 2009 Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid in full or, if no interest has been paid, from the Dated Date. Interest on the Series 2009 Bonds shall be payable semiannually on each Interest Payment Date.

Optional Redemption of Series 2009 Bonds

The Series 2009 Bonds shall not be subject to optional redemption prior to their Stated Maturities.

Extraordinary Optional Redemption of Series 2009 Bonds

The Series 2009 Bonds are subject to extraordinary optional redemption by the Corporation, in whole or in part at any time, at the written direction of the City, given to the Corporation and the Trustee not less than forty-five (45) days nor more than sixty (60) days prior to the Redemption Date, at a redemption price equal to one-hundred percent (100%) of the principal amount of the Series 2009 Bonds to be redeemed, plus accrued interest, if any, on such Series 2009 Bonds to the Redemption Date, in the event that the City exercises its option to prepay all or a portion of the amounts payable pursuant to the Series 2009 Bonds pursuant to casualty, condemnation, changes in law, or certain other events as described below from amounts available under the Indenture.

The Bonds shall be subject to extraordinary optional redemption and payment prior to their Stated Maturities by the Corporation, upon instructions from the City on any date upon the occurrence of any of the following conditions or events, provided the Bonds so redeemed are redeemed and paid according to their terms: (1) if title to, or the use of, substantially all of the St. Louis Jail Facilities is condemned by any authority having the power of eminent domain; (2) if the Corporation's interest in substantially all of the St. Louis Jail Facilities is found to be deficient or nonexistent to the extent that the St. Louis Jail Facilities are untenable or the efficient utilization of the St. Louis Jail Facilities by the City is impaired; (3) if substantially all of the St. Louis Jail Facilities are damaged or destroyed by fire or other casualty; or (4) if as a result of changes in the Constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Agreement shall become void or unenforceable, or impossible of

performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens, or excessive liabilities are imposed on the City or the Corporation.

Selection of Bonds to be Redeemed

Bonds shall be redeemed in their Authorized Denominations. In the case of a partial redemption of Bonds of the same Series, the Bonds to be redeemed shall be selected by the Corporation, upon the direction of the City, from the Outstanding Bonds of that Series by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Bonds of that Series of a denomination larger than Five Thousand Dollars (\$5,000). The portions of the principal of Outstanding Bonds so selected for partial redemption shall be equal to Five Thousand Dollars (\$5,000) or integral multiples thereof. Any Bond which is to be redeemed only in part shall be submitted to the Paying Agent and delivered to the Trustee, who shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any Authorized Denomination as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered. If the Holder of any Bond to be redeemed only in part shall fail to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the principal amount of a Bond so called for redemption and accrued interest thereon (and to that extent only). If the Bonds are in the form of Global Bond Certificates, the partial redemption of such Bonds shall be governed by the agreement among the Corporation, the Trustee, and the Depository.

The Trustee shall call Bonds for redemption and payment as in the Indenture provided upon receipt by the Trustee at least forty-five (45) days prior to the Redemption Date of a Written Request of the Corporation with the consent of the City. Such request shall specify the principal amount and Stated Maturities of Bonds so to be called for redemption, the applicable redemption price or prices, and the provision or provisions of the Indenture or a Supplemental Indenture authorizing Additional Bonds pursuant to which such Bonds are to be called for redemption.

Notice of Redemption

If and when any of the Bonds are called for redemption and payment prior to their Stated Maturity, the Trustee shall give written notice of said redemption and payment by first class mail, postage prepaid, mailed not less than thirty (30) days nor more than sixty (60) days prior to the Redemption Date to each Holder of Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall include the appropriate Redemption Notice Information. The failure of the Holder of any Bond to be so redeemed to receive written notice mailed as in the Indenture provided shall not affect or invalidate the redemption of said Bond. Notice of the redemption of Bonds under the Indenture, other than mandatory sinking fund redemption and except with respect to any notice which refers to Bonds which are the subject of an advance refunding, shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Bonds to be redeemed.

Effect of Call for Redemption

Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Bonds pursuant to the Indenture (unless such notice shall state that the foregoing deposits shall be made only to the extent there are funds available therefor), there shall be deposited with the Trustee funds sufficient or United States Government Obligations, maturing as to principal and interest at such times and in such amounts as to provide available funds sufficient, to pay the principal of Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the

extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or a part of the Bonds to be redeemed. Any redemptions pursuant to the extraordinary optional redemption provisions of the Indenture shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given, the Bonds or the portions of the principal amount of Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or United States Government Obligations sufficient for the payment of principal of, and redemption premium, if any and accrued interest on such Bonds are on deposit at the place of payment at that time and shall no longer be entitled to the protection, benefit, or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Deposits into Costs of Issuance Fund, Debt Service Reserve Fund, and Project Fund

Proceeds of the sale of any Series of Bonds, excluding such amounts required to be paid into the Bond Fund, and excluding proceeds to be used to refund any Outstanding Bonds, shall be deposited by the Trustee into the Debt Service Reserve Fund, the Costs of Issuance Fund, and/or the Project Fund, as and to the extent, provided in the Indenture and in the Supplemental Indenture authorizing such Bonds. Proceeds of the sale of any Refunding Bonds shall be applied and deposited as provided in the Indenture and in the Supplemental Indenture authorizing such Bonds.

Disbursements from the Costs of Issuance Fund

Moneys on deposit in the various accounts of the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon Written Requests of the Corporation Representative and the City Representative in an amount equal to the amount of costs and expenses of issuing and securing the applicable Series of Bonds certified in such Written Requests, including, without limitation, printing expenses, rating agency fees, recording and filing fees, trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees, and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with or incident to the issuance, sale, and delivery of such Series of Bonds. At such time as the Trustee is advised in writing by the Corporation Representative that such costs and expenses have been paid, and in any case not later than six months from the applicable Closing Date, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the applicable account of the Project Fund, or with respect to Additional Bonds issued for the purpose of refunding Bonds, to the applicable account of the Bond Fund.

Application of Funds in Debt Service Reserve Fund

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund (including the Pledged Revenue Account) shall be insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund shall aggregate an amount not less than the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service

Reserve Fund to prevent a default as in the Indenture provided and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the Lease Agreement provides that the City shall make up such deficiency by making monthly payments of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

So long as the sum on deposit in the Debt Service Reserve Fund shall aggregate an amount not less than the Debt Service Reserve Fund Requirement, investment earnings on funds on deposit in the Debt Service Reserve Fund shall be transferred to the accounts and subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds. If, however, the sum on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement, investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency.

In the event that the sum on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement by reason of the issuance of Additional Bonds refunding a portion or all of one or more Series of Bonds under the Indenture, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Bond Fund associated with the Series of Bonds being refunded or to the accounts and subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: an insurance policy, letter of credit, line of credit, guaranty, surety bond, or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by any of Moody's, Fitch or S&P. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the accounts and subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds, or if such cash substitute is attributable to a particular Series of Bonds, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Bond Fund associated with such Series of Bonds.

Valuation of Debt Service Reserve Fund

Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on January 15, April 15, July 15, and October 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount less than the Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the Lease Agreement provides that the City shall make up such deficiency as Additional Rentals equal to such deficiency no later than the next evaluation date. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount which exceeds the Debt Service Reserve Fund Requirement, such amount in excess of the Debt Service Reserve Fund Requirement shall be transferred to the accounts and subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as specified in the Indenture), and the fees, charges, and expenses of the Trustee and any Paying Agent and any other amounts required to be paid under the

Indenture, the Lease Agreement, and any agreement with respect to Credit Enhancement, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City.

Application of the Proceeds of the Series 2009 Bonds and Other Funds of the City.

The net proceeds of the sale of the Series 2009 Bonds in the amount of \$9,928,120.50 (representing \$9,920,000 principal amount, plus net original issue premium of \$96,104.25, and less underwriters' discount of \$87,983.75) shall be deposited or delivered as follows:

(a) the sum of \$9,741,704.10 shall be deposited in the Series 1996 Bond Account established pursuant to the First Supplemental Indenture to pay costs of refunding the Refunded Bonds; and

(b) the sum of \$186,416.40 shall be deposited into the Series 2009 Costs of Issuance Account;

In addition, moneys on deposit in the Debt Service Reserve Fund and other funds of the City in the aggregate amount of \$1,187,560.40 shall be transferred by the Trustee and deposited in the Series 1996 Bond Account established pursuant to the First Supplemental Indenture to pay costs of refunding the Refunded Bonds.

In addition, upon the defeasance of the Refunded Bonds as provided in the Indenture, moneys on deposit in the Series 1996 Bond Account, if any, shall be transferred by the Trustee to the Series 2009 Bond Account.

Deposits into the Bond Fund

The Trustee shall deposit into the accounts or subaccounts of the Bond Fund for the respective Series of Bonds, as and when received, (i) all accrued interest on each Series of Bonds paid by the purchasers of such Series of Bonds; (ii) the amounts to be deposited in such accounts or subaccounts of the Bond Fund pursuant to the Lease Agreement; (iii) all interest and other income derived from investment of moneys in such account or subaccount, as provided in the Indenture; (iv) all excess monies in the Debt Service Reserve Fund, as provided in the Indenture; and (v) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement or the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the appropriate accounts or subaccounts of the Bond Fund.

Deposits into the Series 2009 Bond Account

In addition to the initial deposits pursuant to the Indenture, the Trustee shall deposit into the Series 2009 Bond Account (a) all amounts to be deposited in the Series 2009 Bond Account pursuant to the Lease Agreement corresponding to the payments of principal of, interest and redemption premium, if any, on the Series 2009 Bonds; (b) all interest and other income derived from the investments of funds on deposit in the Series 2009 Bond Account; (c) the pro-rata share allocable to the Series 2009 Bonds of any amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirements; and (d) all other moneys received by the Trustee which the Trustee is directed to deposit in the Series 2009 Bond Account.

Deposits into the Rebate Fund

All moneys required or expected to be required to be rebated to the United States shall be deposited in the Rebate Fund.

Application of Moneys in the Bond Fund

Except as provided in the Indenture, and except as may be provided in any Supplemental Indenture with respect to using moneys in the Bond Fund to purchase Bonds in the open market, moneys in the Bond Fund shall be expended solely for the payment of the principal of, and redemption premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof prior to maturity.

Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds Outstanding and pay interest to accrue thereon prior to such redemption, the Corporation, upon request of the City, shall take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the City. Any moneys in the Bond Fund may be used to redeem a portion of the Bonds Outstanding so long as the City is not in default with respect to any payments under the Lease Agreement and to the extent said moneys exceed the amount required (i) for payment of Bonds theretofore matured or called for redemption and (ii) for payment of any past due interest remaining unpaid.

Application of Moneys in the Series 2009 Bond Account

The Trustee shall notify the Corporation and the City in writing fifteen (15) days prior to each Interest Payment Date of (a) the moneys then available in the Series 2009 Bond Account and the Pledged Revenue Account to pay any principal of, and interest and premium, if any, on the Series 2009 Bonds becoming due on such upcoming Interest Payment Date, and (b) to the extent such moneys are insufficient to make such payment, the amount of such deficiency, which amount shall be required to be paid as Rentals pursuant to the Lease Agreement. The Trustee shall make such payment of any principal of, and interest and premium, if any, on the Series 2009 Bonds becoming due on such upcoming Interest Payment Date as follows: FIRST, from the moneys available in the Series 2009 Bond Account as of the date of the notice required above; SECOND, from moneys available in the Pledged Revenue Account for such purposes; and THIRD, from Rentals required pursuant to the Lease Agreement. Except as otherwise provided in the Indenture, funds on deposit in the Series 2009 Bond Account shall be used and applied solely to pay the principal of, and interest and redemption premium, if any, on the Series 2009 Bonds.

Application of Moneys in the Pledged Revenue Account

Funds on deposit in the Pledged Revenue Account shall be used and applied solely to pay the principal of, interest and redemption premium, if any, on the Bonds. Following the payment from funds on deposit in the applicable Bond Accounts, to the extent that funds deposited in the Pledged Revenue Account are in excess of the amounts required to pay the principal of, and interest and redemption premium, if any, on all Outstanding Bonds becoming due on such upcoming Interest Payment Date, all further applications thereof shall be as effectuated pursuant to the Indenture and the Pledge Agreement.

Payments Due on Saturdays, Sundays, and Holidays

In any case where the Maturity of principal of, or redemption premium, if any, or interest on, any Bonds or the days fixed for redemption of any Bonds shall be a Saturday, a Sunday, a legal holiday, or a

day on which banking institutions in the city of payment are authorized by law to close, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding day not a Saturday, a Sunday, or a legal holiday or a day upon which such banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal therein becomes due, either at its Maturity, Redemption Date, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Bondholder thereof for the payment of such Bond shall forthwith cease, determine, and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within five years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Bondholder thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Moneys to be Held in Trust

Except as otherwise specifically provided in the Indenture, all moneys deposited with or paid to the Trustee pursuant to the provisions of the Indenture, and all moneys deposited with or paid to any Paying Agent under the Indenture, shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the Indenture and the applicable Supplemental Indenture and the Lease Agreement, and, until used or applied as in the Indenture provided, shall constitute part of the Trust Estate and be subject to the lien of the Indenture. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon.

Investment of Moneys

Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund, the Debt Service Reserve Fund, and the Rebate Fund created by the Indenture, or any account or subaccount thereof, shall, pursuant to written direction of the Treasurer or his designee and in accordance with the Non-Arbitrage Certificate executed in connection with any Series of Bonds, be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date such funds will be needed. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund, account, or subaccount in which such Permitted Investments are held, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund, account, or subaccount, or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund, account, or subaccount. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund, account, or subaccount is insufficient for the purposes thereof.

The Trustee shall transfer excess monies in the Debt Service Reserve Fund to the accounts or subaccounts of the Bond Fund for each Series of Bonds Outstanding after any quarterly valuation required by the Indenture. The amount of such excess monies to be transferred to the account or subaccount of a particular Series of Bonds shall equal a percentage of the total of such excess monies then

available to be transferred, which percentage shall be determined by dividing the amount of Bonds Outstanding of such Series of Bonds by the aggregate amount of Bonds then Outstanding.

Events of Default

If any one or more of the following events occur, it is defined as and declared to be and to constitute an “Event of Default” under the Indenture:

- (a) Default by the Corporation in the due and punctual payment of any interest on any Bond;
- (b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;
- (c) Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations by the Indenture secured, and the continuance thereof for a period of sixty (60) days after written notice given to the Corporation and the City by the Trustee, or to the Trustee, the City, and the Corporation by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within said 60-day period, the Trustee may consent in writing to an extension of such time prior to its expiration and the Trustee shall not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 60-day period and diligently pursued to completion and if such consent, in its judgment, does not materially adversely affect the interests of the Bondholders. Upon receipt of notice of any Event of Default described in this paragraph, the City shall have certain rights to purchase the interest of the Corporation as described below; or
- (d) An Event of Default under clause (a) of definition of “Event of Default” in the Lease Agreement.

Notice of any Event of Default shall be given to the Corporation and the City by the Trustee within thirty (30) days of the Trustee’s knowledge thereof and the City, upon receipt of such notice, shall have certain rights to purchase the interest of the Corporation as described below.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Notwithstanding the foregoing, the principal of all Bonds then Outstanding and the interest accrued thereof shall not be declared immediately due and payable without the consent or direction of the Credit Provider (so long as it is not in default in its payment obligations under any Credit Enhancement) provided pursuant to Section 1406.5(d), Section 1407.5(d), or Section 1408.5(d) of the Indenture. If the payment of the Bonds is accelerated under this Section, each Bond shall be payable in the principal amount thereof and accrued interest thereon.

Surrender of Possession of Trust Estate

If an Event of Default shall have occurred and be continuing, the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease Agreement and to collect, receive, and sequester the Rentals and other revenues, moneys, and receipts derived under the Lease Agreement, and out of the same and any moneys received from any receiver of any part thereof, pay and set up proper reserves for the payment of all proper costs and expenses of so taking, holding, and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel, and (ii) any expenses and charges of the Trustee under the Indenture, and the Trustee shall apply the remainder of the moneys so received as described below. The collection of such Rentals, revenues, and other receipts, or the application thereof as aforesaid, shall not cure or waive any default or notice of default under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

Appointment of Receivers in Event of Default

If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by Trustee

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus, or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as in the Indenture set forth or to enforce or realize upon any of the rights, powers, liens, or interests granted by the Indenture to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the Missouri Uniform Commercial Code or other applicable laws and require the Corporation to assemble any collateral covered by the Indenture and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers

Subject to the rights of the Credit Provider (so long as it is not in default in its payment obligations under any Credit Enhancement) set forth in Section 1406.4, Section 1406.5, Section 1407.4, Section 1407.5, Section 1408.4, and Section 1408.5 of the Indenture, if an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders. All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in

its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery or judgment shall, subject to the application of moneys provisions of the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondholders

No Bondholder shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture unless:

(i) a default has occurred of which the Trustee has been notified as provided in the Indenture or of which, by said paragraph, the Trustee is deemed to have notice;

(ii) such default shall have become an Event of Default;

(iii) the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers in the Indenture before granted or to institute such action, suit, or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture; and

(iv) the Trustee shall thereafter fail or refuse to exercise the powers in the Indenture granted or to institute such action, suit, or proceeding in its own name; and such notification, request, and provision of indemnity are by the Indenture declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his, or their action or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to payment of the principal of, and redemption premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Corporation to pay the principal of, and redemption premium, if any, and interest on, each of the Bonds to the respective Registered Owners thereof at the time, place, from the source, and in the manner in the Indenture and in such Bond expressed.

Rights of Bondholders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture, or for the appointment of a receiver, or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings directed would involve it in personal liability.

Application of Moneys in Event of Default

Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease Agreement or pursuant to any right given or action taken under this Article or any other provisions of the Indenture, shall, after payment of the (i) cost and expenses of the proceedings resulting in the collection of such moneys, and (ii) of the fees, charges, expenses, liabilities, advances, and dues incurred or made by the Trustee, be deposited in the Bond Fund and any other Bond Fund created for the payment of Bonds and all moneys so deposited in the Bond Fund or such other Bond Fund shall be applied as follows:

(a) If the principal of all the Bonds shall not have become due or shall not have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay such amounts in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of unpaid principal of and redemption premium, if any, then due and unpaid on all of the Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under this Article then, subject to paragraph (b) above, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) above.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee

shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under this Section, and all fees, expenses, and charges of the Trustee have been paid, and all amounts owing the United States Government under Section 148 of the Code have been paid, any balance remaining in the Bond Fund shall be paid to the City as provided in the Indenture.

Effect of Discontinuance of Proceedings

In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, subject to the rights of the Credit Provider (so long as it is not in default in its payment obligations under any Credit Enhancement) set forth in Section 1406.4, Section 1406.5, Section 1407.4, Section 1407.5, Section 1408.4, and Section 1408.5 of the Indenture, the Corporation, the City, the Trustee, and the Bondholders shall be restored to their former positions and rights under the Indenture, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Event of Default

The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Registered Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Registered Owners of all the Bonds Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their Stated Maturity, or (b) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds or overdue installments of interest in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all fees, charges, and expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Corporation, the City, the Trustee, and the Bondholders shall be restored to their former positions, rights, and obligations under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Opportunity of City to Purchase Corporation's Interest in Event of Default

Upon receipt of notice by the City of an Event of Default pursuant to paragraph (a) or (b) of the definition of Event of Default in the Indenture, the Corporation has, by the Lease Agreement, granted the City an option to purchase the Corporation's interest in the St. Louis Jail Facilities under the Lease Agreement. Upon receipt of notice by the City of an Event of Default pursuant to paragraph (c) of the definition of Event of Default in the Indenture, the Corporation by the Indenture grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

Supplemental Indentures Not Requiring Consent of Bondholders

Subject to Section 1103, the Corporation, with the approval of the Board of Aldermen and the Trustee, may from time to time, without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders, for any one or more of the following: (a) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture; (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; (c) To subject to the Indenture additional revenues, properties, or collateral; (d) To issue the initial Series of Bonds as provided in Section 209; (e) To issue Additional Bonds provided in Section 210; (f) To make any other change which in the sole determination of the Trustee does not materially adversely affect the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and (g) To evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee.

Supplemental Indentures Requiring Consent of Bondholders

Exclusive of Supplemental Indentures described above and subject to the consent of the City described below, the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding shall have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to, or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that the consent of all the Holders of Bonds then Outstanding shall be required for (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Corporation shall request, with the consent of the City, the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 1102, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at his address as shown by the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee, or at such other office as the Trustee may designate, for inspection by all Bondholders. If within sixty (60) days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and in the Indenture provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

City's Consent to Supplemental Indentures

Any Supplemental Indenture that affects any rights or obligations of the City shall not become effective unless and until the City shall have consented in writing to the execution and delivery of such Supplemental Indenture, provided, that, receipt by the Trustee of a Supplemental Lease Agreement executed by the City in connection with the issuance of Additional Bonds shall be deemed to be the consent of the City to the execution of a Supplemental Indenture. In this regard, the Trustee shall cause

notice of the proposed execution and delivery of any such Supplemental Indenture (other than a Supplemental Indenture proposed to be executed and delivered pursuant to the issuance of Additional Bonds) together with a copy of the proposed Supplemental Indenture to be mailed to the City at least ninety (90) days prior to the proposed date of execution and delivery of any such Supplemental Indenture.

Supplemental Lease Agreements and Base Leases Not Requiring Consent of Bondholders

The Corporation and the Trustee shall, with the written consent of the Credit Provider, but without the consent of or notice to the Bondholders, consent to the execution of any Supplemental Lease Agreement and any Supplemental Base Lease, as may be required (a) by the Lease Agreement, the Base Lease, or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

Supplemental Lease Agreements and Base Leases Requiring Consent of Bondholders

Except for Supplemental Lease Agreements and Supplemental Base Leases described above, neither the Corporation nor the Trustee shall consent to the execution of any Supplemental Lease Agreement or any Supplemental Base Lease without the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained in the same manner as described above with respect to Supplemental Indentures; provided, that, the consent of all the Holders of Bonds shall be required for (i) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted, or (ii) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any Supplemental Lease Agreement or any Supplemental Base Lease. If at any time the Corporation and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Agreement or any Supplemental Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease Agreement or Supplemental Base Lease to be mailed in the same manner as described above with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Base Lease or Supplemental Lease Agreement and shall state that copies of the same are on file at the principal corporate trust office of the Trustee, or at such other office as the Trustee may designate, for inspection by all Bondholders.

Satisfaction and Discharge of Indenture

When all Bonds are deemed to be paid as described below, and provision shall also be made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Bonds, then the right, title, and interest of the Trustee in respect of the Indenture shall thereupon cease, terminate, and be void, and thereupon the Trustee shall cancel, discharge, and release the lien of the Indenture and shall execute, acknowledge, and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Bond Fund required to be paid to the City and except funds or securities in which such funds are invested by the Trustee for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds.

Bonds Deemed to Be Paid

Bonds shall be deemed to be paid when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of Maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment or (b) Defeasance Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, provided, however, with respect to any deposit referred to in this clause (ii), the Trustee shall have received a verification report of a nationally recognized independent certified public accounting firm as to the adequacy of the escrow to fully pay the Bonds deemed to be paid. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the Stated Maturities thereof, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice.

Consents and Other Instruments by Bondholders

Any consent, request, direction, approval, objection, or other instrument required by the Indenture (other than the assignment of ownership of a Bond) to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered, or omitted under any such instrument, namely: (a) the fact and date of the execution by any person of any such instrument may be proved by the certificate of an officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and (b) the fact of ownership of Bonds and the amount or amounts, numbers, and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Holder of any Bond, shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

SUMMARY OF PLEDGE AGREEMENT

The following is a summary of certain provisions of the Pledge Agreement, dated as of August 1, 1996, by and between the City and the Trustee, as amended by the First Supplemental Pledge Agreement, dated as of September 1, 2005 (together, the "*Pledge Agreement*"). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Pledge Agreement.

Pledge; Term

Under the Pledge Agreement, the City pledges and grants to the Trustee for the term stated therein a security interest in all amounts to be received by the City from the reimbursements constituting per diem reimbursements for costs of boarding State prisoners chargeable and billed to the State and credited and payable to the City (the “*Pledged Revenues*”) collected pursuant to Section 221.105 of Missouri Revised Statutes, as amended (the “*Statute*”) beginning on August 1, 1996, and from time to time thereafter. The Pledge Agreement secures payment of the principal of, premium, if any, and interest on the Bonds and any Additional Bonds and if there shall be in effect a credit agreement (the “*Credit Agreement*”) with respect to Credit Enhancement of the Bonds or Additional Bonds, any amounts due and owing the Credit Provider. The Pledge Agreement shall remain in force and effect until the earlier of the expiration date of the Base Lease or the payment in full of the principal of, premium, if any, and interest on the Bonds and any Additional Bonds, whereupon the Pledge Agreement shall terminate.

Delivery and Application of Pledged Revenues

All Pledged Revenues at the time payable to the City are required to be delivered to and held by the Trustee in the Pledged Revenue Account. The City, in the Pledge Agreement, agrees to take all necessary steps to direct and authorize the State to remit the Pledged Revenues directly to the Trustee for application as set forth in the Pledged Agreement and described below. The City further agrees in the Pledge Agreement to promptly execute and deliver each month to the State Office of Administration all documents required by the State pursuant to the Statute for the payment of the Pledged Revenues. The Trustee shall deposit the Pledged Revenues into the Pledged Revenue Account, to be applied as follows: *first*, to pay the principal of, interest and premium, if any, on any Series of Bonds following application of the amounts on deposit in the applicable account or subaccount for such Series of Bonds in accordance with the applicable Supplemental Indenture, or, in lieu of the foregoing, in the event there shall be in effect a Credit Agreement, such moneys shall be applied, if necessary, to reimburse the Credit Provider for any claims thereunder including applicable costs and fees incurred in the payment of principal of, interest and premium, if any, on such Series of Bonds; *second*, in the event that the amounts held in the Pledged Revenue Account on any Principal Payment Date exceed the amounts then due to pay the amounts described in *first* above, and the Lease Agreement has not been terminated as provided therein, either (a) to pay to the City such excess amount within five (5) Business Days of said Principal Payment Date; or (b) if the City so elects in accordance with the Lease Agreement, to the credit of the City for payment of future obligations, if any, under the Lease Agreement; and *third*, in the event of termination of the Lease Agreement, to the obligations of the Corporation then due under the Indenture, less any amount realized by the Corporation or the Trustee from the lease of the St. Louis Jail Facilities.

Transfers and Other Liens

The City agrees that, without the prior written consent of the Trustee, the City will not create or permit to exist any lien, security interest, other charge or encumbrance upon or with respect to any of the Pledged Revenues, except for the pledge and security interest created by the Pledge Agreement. The Pledge Agreement may be amended to include any pledge and security agreement created by the issuance of any Additional Bonds and any Credit Enhancement therefor.

Security Interest Absolute

The Pledge Agreement shall create a continuing pledge and security interest in the Pledged Revenues. Subject to the term of the Pledge Agreement and the limitation of obligations set forth below, all obligations of the City under the Pledge Agreement shall be absolute and unconditional irrespective of (i) any change in the time, manner of place of payment of, or in any other term of, all or any of the Bonds,

or any other amendment or waiver of or any consent to any departure from the Indenture, any Credit Agreement, or the Bonds; (ii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all of any of the obligations secured by the Pledge Agreement; (iii) termination of the Lease Agreement or any Credit Agreement for any reason; or (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Corporation or the Credit Provider.

Amendment or Waiver

No amendment or waiver of any provision of the Pledge Agreement nor consent to any departure by the City therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee and by the Credit Provider, and then such amendment, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which given.

Security Interest Absolute

All rights of the Trustee and security interests under the Pledge Agreement, and all obligations of the City thereunder, shall be absolute and unconditional irrespective of (i) any change in the time, manner, or placement payment of, on in any other term of, all or any of the Bonds, or any other amendment or waiver of or any consent to any departure from the Indenture, any Credit Agreement, or the Bonds; (ii) any exchange, release, or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations secured by the Pledge Agreement; (iii) termination of the Lease Agreement or any Credit Agreement; or (iv) any other circumstance which might otherwise constitute a defense available to or a discharge of, the Corporation or the Credit Provider.

Limitation of Obligations

The Trustee acknowledges in the Pledge Agreement that the obligations secured by the payments under the Pledge Agreement are neither general obligations nor indebtedness for any purpose of the City or the State, or of any officer or employee thereof. The Trustee further acknowledges in the Pledge Agreement that the payment by the State is subject to appropriation and to withholding in the event of a State revenue shortfall and that the Statute providing for the Pledged Revenues is subject at any time to amendment or repeal, and that the State is not a party to the Pledge Agreement.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of the Nominee. Initially, one fully-registered certificate will be issued for each Maturity of the Series 2009 Bonds, in the aggregate principal amount of each Maturity of the Series 2009 Bonds, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the Registered Owner of the Series 2009 Bonds, the Beneficial Owners of the Series 2009 Bonds will not receive or have the right to receive physical delivery of the Series 2009 Bonds, and references herein to the Bondholders or Registered Owners of the Series 2009 Bonds mean the Nominee and not the Beneficial Owners of the Series 2009 Bonds.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Bonds, except in the event that use of the Book-Entry System for the Series 2009 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of the Nominee. The deposit of Series 2009 Bonds with DTC and their registration in the name of the Nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2009 Bond documents. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the Nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption. Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2009 Bonds to be redeemed.

Voting. Neither DTC nor the Nominee will consent or vote with respect to Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as issuer, as soon as possible after the record date. The Omnibus Proxy assigns the Nominee's consenting or voting rights to those Direct Participants to whose accounts Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Payments of the premium, if any, and interest on the Series 2009 Bonds will be made to the Nominee. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of, and premium, if any, and interest on the Series 2009 Bonds to the Nominee is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2009 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and the Book-Entry System has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters takes any responsibility for the accuracy of such information, and the DTC Participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE CORPORATION, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2009 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DURING THE PERIOD THAT THE NOMINEE IS THE REGISTERED OWNER OF THE SERIES 2009 BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO THE NOMINEE. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE DIRECT PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH DIRECT PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE INDIRECT PARTICIPANTS AND THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE DIRECT PARTICIPANTS OR BY THE DIRECT PARTICIPANTS TO THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. ANY FAILURE BY DTC TO ADVISE ANY DIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT TO NOTIFY ANY INDIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “*Disclosure Agreement*”), dated as of October 1, 2009, is executed and delivered by THE CITY OF ST. LOUIS, MISSOURI a charter city organized under the laws of the State of Missouri (the “*City*”), and UMB BANK, N.A., a national banking association, as Trustee (the “*Trustee*”) in connection with the issuance of \$9,920,000 aggregate principal amount of City Justice Center Leasehold Revenue Refunding Bonds, Series 2009 (City of St. Louis, Missouri, Lessee) (the “*Series 2009 Bonds*”) issued by the St. Louis Municipal Finance Corporation (the “*Corporation*”). The Series 2009 Bonds are being executed and delivered pursuant to the constitution and laws of the State of Missouri, a First Restatement and Fifth Supplement to Indenture of Trust dated as of October 1, 2009 between the Trustee and the Corporation (the “*Indenture*”), for the purpose of providing funds, together with other available moneys, (i) to finance the refunding of the Corporation’s Outstanding City Justice Center Leasehold Revenue Improvement and Refunding Bonds, Series 1996B; and (ii) to pay costs of issuance of the Series 2009 Bonds, all as more fully described herein and in the Indenture. The City and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Holders and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City has determined that the City is the only “obligated person” with responsibility for continuing disclosure within the meaning of the Rule.

Section 2. Definitions. In addition to the definitions set forth in **Article I** of the Fifth Supplemental Indenture which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009 Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean the Comptroller, on behalf of the City, or her successors or designees, or such other person as the City shall designate in writing to the Trustee from time to time.

“*Dissemination Agent*” shall mean UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation if the Trustee is not the Dissemination Agent.

“*EMMA*” shall mean the Electronic Municipal Market Access System, operated by the MSRB.

“*Lease*” means the Lease Purchase Agreement between the Corporation and the City, dated as of August 1, 1996, as amended and supplemented by the First Supplemental Lease Agreement, the Second Supplemental Lease Agreement, and the Third Supplemental Lease Agreement and as may be further amended from time to time.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board and any successor thereto.

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the sole National Repository within the meaning of the Rule is the Municipal Securities Rulemaking Board through EMMA and filings shall be submitted solely at its website, <http://emma.msrb.org>.

“*Participating Underwriter*” shall mean the original underwriters of the Series 2009 Bonds required to comply with the Rule in connection with offering of the Series 2009 Bonds.

“*Repository*” shall mean each National Repository and each State Repository.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” shall mean the State of Missouri.

“*State Repository*” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the City’s fiscal year (which currently ends June 30th of each year), commencing with the report for the fiscal year ending June 30, 2009, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

The Annual Report may be made available or submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the City may be made available or submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) of this Section for providing the Annual Report to each Repository the City shall provide its Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City and request that the City comply with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date in subsection (b) of this Section, the Dissemination Agent shall send a

notice to each Repository (the Municipal Securities Rulemaking Board and the State Repository, if any) in substantially the form as Exhibit A hereto.

(d) The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
2. promptly following receipt of the Annual Report and pursuant to the instructions of this Section 3, provide the Annual Report to the Repositories and file a report with the City (unless the City has certified in writing that the City has provided the Annual Report to the Repositories), the Corporation and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided or that the City has certified that it filed the Annual Report; and
3. unless the City has provided the Annual Report as provided above, notify the City in each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report to the Repositories, of the date on which its Annual Report must be provided to the Dissemination Agent or Repositories.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the most recently ended fiscal year prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board, or if such audited financial statements are not then available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements of the City for the most recent fiscal year in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in **Appendix A** to the final Official Statement in tables under the sections captioned:

- (i) "ECONOMIC AND DEMOGRAPHIC DATA--" "Population Statistics," "Employment," "Major Taxpayers," "Building and Construction Data," "Sports Related Economic Development," "Business Development," and "Development Overall;"
- (ii) "EMPLOYEES AND EMPLOYEE RELATIONS;" and
- (iii) "RETIREMENT SYSTEMS."

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to the rights of security holders;
8. optional, contingent, or unscheduled bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities; and
11. ratings changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) of this Section. For the purpose of this Disclosure Agreement, “actual knowledge” of the Listed Events shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to this Disclosure Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event because of a notice from the Dissemination Agent pursuant to subsection (b) of this Section or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) of this Section.

(e) If in response to a request under subsection (b) of this Section, the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) of this Section.

(f) If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City, the Trustee and the Participating Underwriter.

Section 6. EMMA. The Dissemination Agent shall use EMMA for the submission of Annual Reports and Listed Events for so long as EMMA is recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Listed Event by the Dissemination Agent to EMMA shall be deemed to satisfy the Dissemination Agent’s obligations under this Disclosure Agreement with respect to the Annual Report or Listed Event.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2009 Bonds. If the City's obligations under the Lease are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(a). Notwithstanding the foregoing, the obligations of the City contained in Section 12 hereof shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint, or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days' written notice to the City. The Dissemination Agent shall also have no duty or obligation to determine the materiality of the Listed Events and shall not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be UMB Bank, N.A.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the approval of an amendment by the Dissemination Agent shall not be unreasonably withheld) and any provision of this Disclosure Agreement may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent and the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Agreement. Furthermore:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2009 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, shall, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) makes a change which in the sole determination of the Trustee does not materially adversely affect the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select, or (ii) is approved by the Bondholders of the Series 2009 Bonds in the same manner as provided for with the approval of Supplemental Indentures requiring the consent of Bondholders as set forth in Section 1102 of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Agreement (other than an amendment relating to accounting principles), the City shall describe such amendment in the next notice of occurrence of a Listed Event, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In

addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of Outstanding Series 2009 Bonds, shall), or any Bondholder or Beneficial Owner of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Lease or Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities, and Liabilities of Trustee and Dissemination Agent. Section 7.1 of the Lease is hereby made applicable to this Disclosure Agreement and the Dissemination Agent as if such article were (solely for this purpose) contained in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted under applicable law, to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds. No provision of this Disclosure Agreement shall be interpreted to limit, prohibit, or affect any right of the City or the Trustee to provide notice to the Beneficial Owners of the Series 2009 Bonds or any other person pursuant to the terms of the Indenture.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement shall be given in the manner and to the addresses set forth for the City and the Trustee, and to the Dissemination Agent at the address set forth for the Trustee, in the Lease or Indenture. Any person may, by written notice to the other persons, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter, the Bondholders, and Beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State applicable to contracts performed wholly therein and without reference to its choice of laws principles.

Section 17. Severability. If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 18. Captions. The captions or headings in this Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Disclosure Agreement.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, UMB Bank, N.A., has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf by one of its duly authorized officers and its corporate seal to be hereunto affixed and attested by one of its duly authorized officers, all as of the day first above written.

UMB BANK N.A., as Dissemination Agent

By: _____
_____, _____

(SEAL)

ATTEST:

_____, _____

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Agreement to be signed in its name and behalf by its elected officials and its corporate seal to be hereunto affixed and attested by the City Register, all as of the day first above written.

APPROVED AS TO FORM

THE CITY OF ST. LOUIS, MISSOURI

By: _____
Stephen J. Kovac
Deputy City Counselor

By: _____
Francis G. Slay
Mayor

ATTEST:

By: _____
Darlene Green
Comptroller

Parrie L. May
Register

(SEAL)

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: St. Louis Municipal Finance Corporation

Name of Obligated Person: The City of St. Louis, Missouri (the “City”)

Name of Bond Issue: City Justice Center
Leasehold Revenue Refunding Bonds
Series 2009
(City of St. Louis, Missouri, Lessee)

Date of Issuance: October 13, 2009

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by **Section 3** of the Continuing Disclosure Agreement dated as of October 1, 2009, between the City and UMB Bank, N.A., as Dissemination Agent. The City has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

DATED: _____

UMB BANK, N.A., as Dissemination Agent
on behalf of The City of St. Louis, Missouri

cc: Comptroller, The City of St. Louis, Missouri
City Counselor, The City of St. Louis, Missouri

APPENDIX G
FORM OF OPINION OF CO-BOND COUNSEL

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APPENDIX G
FORM OF OPINION OF CO-BOND COUNSEL

October [13], 2009

St. Louis Municipal Finance Corporation
St. Louis, Missouri

UMB Bank, N.A.
St. Louis, Missouri

The City of St. Louis
St. Louis, Missouri

Siebert Brandford Shank & Co., LLC, as
Representative of the Underwriters
Detroit, Michigan

**Re: \$9,920,000 St. Louis Municipal Finance Corporation City Justice Center Leasehold
Revenue Refunding Bonds, Series 2009 (City of St. Louis, Missouri, Lessee)**

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by St. Louis Municipal Finance Corporation (the “*Corporation*”) of the above-referenced bonds (the “*Series 2009 Bonds*”) pursuant to a Resolution adopted by the Corporation on September 1, 2009 (the “*Resolution*”). The Series 2009 Bonds are being issued for the purpose of (i) financing the refunding of the Corporation’s outstanding City Justice Center Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, dated as of August 1, 1996 (the “*Series 1996B Bonds*”); and (ii) paying certain costs of issuance of the Series 2009 Bonds. This opinion is delivered to you in connection with such refunding of the Series 1996B Bonds maturing February 15, 2012 (the “*Refunded Bonds*”).

In our capacity as Co-Bond Counsel, we have examined such law and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents:

- a. Indenture of Trust (the “*Master Indenture*”) dated as of August 1, 1996, by and between the Corporation, UMB Bank of St. Louis, N.A., now known as UMB Bank, N.A., as Trustee (the “*Trustee*”);
- b. First Supplemental Indenture of Trust, dated as of August 1, 1996, by and between the Corporation and the Trustee (the “*First Supplemental Indenture*”);
- c. Second Supplemental Indenture of Trust, dated as of February 1, 2000, by and between the Corporation and the Trustee (the “*Second Supplemental Indenture*”);
- d. Third Supplemental Indenture of Trust, dated as of September 1, 2001, by and between the Corporation and the Trustee (the “*Third Supplemental Indenture*”);
- e. Fourth Supplemental Indenture of Trust, dated as of September 1, 2005, by and between the Corporation and the Trustee (the “*Fourth Supplemental Indenture*”);
- f. First Restatement and Fifth Supplemental Indenture of Trust, dated as of October 1, 2009, by and between the Corporation and the Trustee (the “*First Restatement*” which, together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture,

the Third Supplemental Indenture, and the Fourth Supplemental Indenture, is referred to herein as the “*Indenture*”);

g. Base Lease, dated as of August 1, 1996, by and between The City of St. Louis (the “*City*”) and the Corporation (the “*Original Base Lease*”);

h. First Supplemental Base Lease, dated as of February 1, 2000, by and between the City and the Corporation (the “*First Supplemental Base Lease*”);

i. Second Supplemental Base Lease, dated as of September 1, 2005, by and between the City and the Corporation (the “*Second Supplemental Base Lease*”);

j. Third Supplemental Base Lease, dated as of October 1, 2009, by and between the City and the Corporation (the “*Third Supplemental Base Lease*” which, together with the Original Base Lease, the First Supplemental Base Lease, and the Second Supplemental Base Lease, is referred to herein as the “*Base Lease*”);

k. Lease Purchase Agreement, dated as of August 1, 1996, by and between the Corporation and the City (the “*Original Lease Agreement*”);

l. First Supplemental Lease Purchase Agreement, dated as of February 1, 2000, by and between the Corporation and the City (the “*First Supplemental Lease Agreement*”);

m. Second Supplemental Lease Purchase Agreement, dated as of September 1, 2005, by and between the Corporation and the City (the “*Second Supplemental Lease Agreement*”);

n. Third Supplemental Lease Purchase Agreement, dated as of October 1, 2009, by and between the Corporation and the City (the “*Third Supplemental Lease Agreement*” which, together with the Original Lease Agreement, the First Supplemental Lease Agreement, and the Second Supplemental Lease Agreement, is referred to herein as the “*Lease Agreement*”);

o. Pledge Agreement, dated as of August 1, 1996, by and between the City and the Trustee (the “*Original Pledge Agreement*”);

p. First Supplemental Pledge Agreement, dated as of September 1, 2005, by and between the City and the Trustee (the “*First Supplemental Pledge Agreement*” which, together with the Original Pledge Agreement, is referred to herein as the “*Pledge Agreement*”);

q. Bond Purchase Agreement, dated September 1, 2009, by and among the Corporation, the City, and Siebert Brandford Shank & Co., LLC, as representative of the underwriters (the “*Purchase Agreement*”);

r. Tax Compliance Agreement, dated as of October 1, 2009, by and among the Corporation, the City, and the Trustee (the “*Tax Compliance Agreement*”); and

s. Continuing Disclosure Agreement, dated as of October 1, 2009, by and between the City and the Trustee (the “*Continuing Disclosure Agreement*”).

As to questions of fact material to this opinion, we have relied upon representations of the Corporation contained in the Resolution, the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We note that (i) various issues with respect to the City in connection with the Series 2009 Bonds are

addressed in the opinion of the Deputy City Counselor of the City; and (ii) various issues with respect to the Corporation in connection with the Series 2009 Bonds are addressed in the opinion of the Corporation's Counsel. Except as otherwise stated herein, we express no opinion with respect to those issues.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2009 Bonds have been duly authorized, executed, and delivered by the Corporation and, when duly authenticated and delivered by the Trustee, will be valid and binding special obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals from the City under the Lease Purchase Agreement. Neither the Lease Purchase Agreement nor the Series 2009 Bonds constitute an indebtedness of the Corporation, the City, or the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the Corporation or the City is pledged to the payment of the Rentals or any other payments under the Lease Purchase Agreement, or to the payment of the Series 2009 Bonds.

2. The interest on the Series 2009 Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from gross income for federal and Missouri income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2009 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Compliance Agreement complies with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied subsequent to the issuance of the Series 2009 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Compliance Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2009 Bonds (including any original issue discount properly allocable to the owners thereof) to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2009 Bonds. We express no opinion as to whether the interest on the Series 2009 Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended. The Series 2009 Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

3. The issuance of the Series 2009 Bonds will not result in the interest on any Bonds Outstanding as of the date of such Series 2009 Bonds, the interest on which is not includable in gross income for purposes of federal income taxation, becoming includable in gross income for purposes of federal income taxation.

Except as stated in paragraph 2 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2009 Bonds.

Except as stated in paragraph 3 above, we have not been requested to investigate, have not investigated, and do not express any opinion with respect to the effect on the original status of the interest on the Bonds (other than the Series 2009 Bonds) for federal income tax purposes of any actions taken or omitted to be taken by the Corporation with respect to the ownership, use or operation of the facilities financed or refinanced with the proceeds of the Bonds other than as stated herein.

It is to be understood that the rights of the owners of the Series 2009 Bonds and the enforceability of the Series 2009 Bonds, the Resolution, the Lease Purchase Agreement, the Indenture, the Purchase Agreement, the Pledge Agreement, the Tax Compliance Agreement, and the Continuing Disclosure Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy or completeness of any offering material relating to the Series 2009 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

By rendering this opinion, we do not undertake to advise you further of any changes in law or fact which may occur or come to our attention after the date hereof.

Very truly yours,